

Reimagining Local Healthcare and Wellbeing for All

4Q and FY22 Results
October 13, 2022



Walgreens Boots Alliance

Safe Harbor and Non-GAAP

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

A year of strong execution and transformation to healthcare

- Solid close to the year, **exceeding our FY22 expectations**
- **4Q performance** better than expected, demonstrating effective management through softening global macro conditions
- Providing FY23 guidance of **\$4.45-\$4.65 in adj. EPS** vs. \$5.04 in FY22, lapping COVID-19 execution and driving **strong core growth of 8-10%**
- Confident in our **long-term growth algorithm**
- Accelerating growth and profitability in our **U.S. Healthcare** business
- Significant progress made on **talent and capabilities**

Strategy and Road Ahead

Roz Brewer
Chief Executive Officer
WBA



Four key priorities capture value across core and growth spaces, while strengthening assets and capabilities for the journey

Transform and align the core	Retail Pharmacy	<ul style="list-style-type: none">• Deliver best-in-class pharmacy experience more efficiently• Reimagine retail experience with focus on health & wellness• Integrate wellbeing solution with customer-centric assets and digital capabilities
Build our next growth engine with consumer-centric healthcare solutions	U.S. Healthcare	<ul style="list-style-type: none">• Advance holistic care delivery to improve patient experience / outcomes and lower costs, leveraging assets across the care continuum• Accelerate adoption of technology and services to enable providers to successfully transition to value-based payment models
Focus the portfolio; optimize capital allocation	WBA	<ul style="list-style-type: none">• Optimize investment portfolio to prioritize core assets and growth in U.S. healthcare delivery• Fund the journey through cost efficiencies and free cash flow
Build a high-performance culture and a winning team		<ul style="list-style-type: none">• Create a great place to work that attracts, inspires, develops, rewards, and retains talent• Support and prioritize health equity, DEI, and ESG across our communities

Successfully executing our strategy

Transform and align the core

Build our next growth engine with consumer-centric healthcare solutions

Focus the portfolio; optimize capital allocation

Build a high-performance culture and a winning team

Broadly exceeded goals, demonstrating our ability to deliver despite challenging operating conditions

Strategic KPI	FY22 Goal	FY22 Results
U.S. Retail Pharmacy segment AOI	Flat/down YOY	● \$5.03B (up YOY)
U.S. Pharmacy		
• COVID-19 vaccinations	~25M	● 35M
• Rx script comp (excluding immunizations)	-	● + 1.4%
• Microfulfillment centers	11	● 8
U.S. Retail		
• U.S. Retail comp sales growth	-	● + 6.1%
• Retail gross margin expansion	-	● Over +100 bps
• Digital sales growth	-	● + 37%
• Owned brand penetration	18%	● 16%
myWalgreens membership	-	● 102M
Alternative profit business income	\$300M by FY25	● \$125M in FY22
International segment AOI	Up >50% YOY	● \$0.73B (+65% YOY)
• Boots UK Retail comp sales growth	-	● + 19.2%
Transformational Cost Mgmt. Program	\$3.3B by FY24	● Raised to \$3.5B

Our core business is resilient in the face of historic macro challenges



Drove essential pharmacy services

Administered nearly 72M COVID vaccines and over 34M PCR and antigen COVID-19 tests to date, and served communities as the largest pediatric COVID-19 vaccine provider in the pharmacy channel



Successfully managed inflation and supply chain constraints with strategic pricing and data-driven customer engagement

Proactively managed pricing, promotions, and cost of goods sold, expanding retail margins over +100 bps in FY22 while maintaining price position vs. key retail competitors



Predictable reimbursement pressure in FY22, in line with plan

95% of payors contracted through calendar year 2023

Successfully executing our strategy

Transform and align the core

Build our next growth engine with consumer-centric healthcare solutions

Focus the portfolio; optimize capital allocation

Build a high-performance culture and a winning team

U.S. Healthcare segment rapidly achieving foundational milestones

Strategic KPI	FY22 Goal	FY22 Results
U.S. Healthcare sales	\$3.0-\$3.2B	● \$1.8B <i>(delayed CareCentrix close)</i>
U.S. Healthcare pro forma sales growth	–	● + 75%
• VillageMD	–	● + 80%
• Shields	–	● + 54%
	CY22 Goal	CY22 Progress ¹
Walgreens Health		
• Lives covered ²	2M+	● 2.3M+
• Health plan partners ²	5	● 3 <i>(on track to 5)</i>
• Health Corners locations	100+	● 70 <i>(on track to 100)</i>
VillageMD		
• Co-located clinics	160+	● 152 <i>(on track to 200)</i>
• Total clinics	–	● 342
• Medicare & MA value-based patients	–	● 161K³
• Total value-based lives covered	–	● 433K³
CareCentrix contracted lives	–	● 19M
Shields health-system partners	–	● 75

Successfully executing our strategy

Transform and align the core

Build our next growth engine with consumer-centric healthcare solutions

Focus the portfolio; optimize capital allocation

Build a high-performance culture and a winning team

Focusing the portfolio to fund growth and simplify the business

Strategic KPI

Strategic healthcare investments

Optimize the portfolio to prioritize U.S. healthcare

Monetize assets and simplify our investment portfolio

Dividend increases over time

FY22 Results and Current Events



Paused strategic review of Boots due to financial market conditions

 **\$900M** proceeds from sale of 6M ABC shares

 **\$360M** proceeds from sale of 11M OPCH shares

 **\$150M** expected proceeds from agreement for sale of Guangzhou Pharmaceuticals (GPC) stake

Increase announced in July, marking 47 consecutive years

Successfully executing our strategy

Transform and align the core

Build our next growth engine with consumer-centric healthcare solutions

Focus the portfolio; optimize capital allocation

Build a high-performance culture and a winning team

Evolved our operating model, hired new leaders, and made critical investments in our people

Strategic KPI

Align our operating model with strategic priorities

Evolve Board to enhance strategy

Hire best-in-class talent to accelerate our growth

Recruit, develop, and retain our winning team

Align incentives with strategic ambition

FY22 Results and Current Events

Expanded the Executive Committee with a greater focus on healthcare

Established Finance and Technology Committee; added IBM Global Chief Data Officer to the Board

Built a winning team by naming >10 executives in FY22 and YTD FY23

Invested in Walgreens team members

- Increases in pharmacist base/premium pay and sign-on bonuses
- Enhanced benefit offerings
- Returning ~3,000 stores to normal operating hours
- Planned 3-year minimum wage investment

Adopted relative TSR metric in long-term incentive plan for FY23

Introducing new U.S. leaders



Lee Cooper
EVP & President,
Walgreens Pharmacy



Tracey Brown
President of Walgreens
Retail & Chief Customer
Officer



John Driscoll
EVP & President,
U.S. Healthcare

Strong healthcare team in place



Kevin Ban, MD
Chief Medical Officer,
WBA



Anita Allemand, PharmD
Chief Transformation &
Integration Officer, WBA



John Do
Chief Financial Officer,
U.S. Healthcare



Sashi Moodley, MD
Chief Clinical Officer,
U.S. Healthcare



Ramita Tandon
Chief Clinical Trials
Officer, U.S. Healthcare

U.S. Healthcare partners



Tim Barry
Chief Executive Officer,
Village Medical



Steve Horowitz
Chief Executive Officer,
CareCentrix



John Lucey
Chief Executive Officer,
Shields Health
Solutions

Increasing consumer focus



Linh Peters
Chief Marketing Officer,
Walgreens



Bala Visalatha
Chief Product Officer,
Walgreens



Min Cho
Chief Format Concepts
and Design Officer,
Walgreens

We are
confident
in the road
ahead

- ☆ Successfully managing our **resilient core business**
- ☆ Scaling our **winning healthcare assets**
- ☆ Investing in **strategic talent and capabilities**
- ☆ Taking strong action to **simplify our portfolio**

4Q & FY22 Results

James Kehoe
Chief Financial Officer
WBA



WBA 4Q22 Financial Highlights

*Continuing operations
\$ in millions (except EPS)*

		4Q22	Reported Fx B/(W) vs. 4Q21	Constant Fx B/(W) vs. 4Q21
Sales		\$32,449	(5.3)%	(3.2)%
Operating Income	GAAP	\$(822)	(190.2)%	
	Adjusted	\$744	(39.8)%	(38.2)%
Net Earnings	GAAP	\$(415)	(215.9)%	
	Adjusted	\$694	(31.9)%	(30.2)%
EPS	GAAP	\$(0.48)	(216.3)%	
	Adjusted	\$0.80	(31.8)%	(30.0)%

WBA FY22 Financial Highlights

*Continuing operations
\$ in millions (except EPS)*

		FY22	Reported Fx B/(W) vs. FY21	Constant Fx B/(W) vs. FY21
Sales		\$132,703	+ 0.1%	+ 1.2%
Operating Income	GAAP	\$1,387	(40.8)%	
	Adjusted	\$5,133	+ 0.3%	+ 1.2%
Net Earnings	GAAP	\$4,337	+ 117.5%	
	Adjusted	\$4,360	+ 2.5%	+ 3.3%
EPS	GAAP	\$5.01	+117.6%	
	Adjusted	\$5.04	+ 2.5%	+ 3.4%

U.S. Retail Pharmacy Financials

<i>\$ in millions</i>	4Q22	B/(W) vs. 4Q21	FY22	B/(W) vs. FY21
Sales	\$26,683	(7.2)%	\$109,078	(2.6)%
Adj. gross profit	\$5,413	(13.2)%	\$23,827	+ 0.3%
Adj. SG&A % of sales	17.9%	(0.1)%p	17.8%	(0.6)%p
Adj. operating income	\$786	(36.1)%	\$5,029	+ 0.2%
Adj. operating margin¹	2.4%	(1.5)%p	4.0%	+ 0.0%p

- Lapping 4Q21 comp sales growth of +8.1%; AllianceRx Walgreens is a 785 bps headwind
- 4Q AOI impacted by ~14% COVID-19 headwind, lapping prior year growth of +16.4%
- Full year AOI up slightly; sales growth of +4.6% excluding AllianceRx Walgreens

U.S. Pharmacy

4Q22 vs. 4Q21 | FY22 vs. FY21

	4Q22 Total	4Q22 Comparable	FY22 Total	FY22 Comparable
Pharmacy sales	(8.8)%	+ 3.0%	(5.3)%	+ 4.7%
Prescriptions	(4.4)%	(3.5)%	+ 0.5%	+ 1.3%
Prescriptions ex. Immunizations	(1.1)%	(0.1)%	+ 0.6%	+ 1.4%

- 4Q comp scripts (3.5)%; excluding immunizations, comp scripts (0.1)%
 - 2.9 million COVID-19 vaccinations in 4Q22 vs. 13.5 million in 4Q21
 - Pharmacy performance aided by seasonal scripts and maintenance medications
 - Pharmacy volumes challenged by staffing shortages; recent trends improving
 - Three-year stack +8.9%; +7.7% excluding immunizations
- 3.4 million COVID-19 tests¹ administered in 4Q compared to 5.2M in the prior year; 7.8 million OTC test kits¹ sold through the pharmacy
- 4Q gross margin negatively impacted by fewer COVID-19 vaccinations

U.S. Retail

4Q22 vs. 4Q21 | FY22 vs. FY21

	4Q22	FY22
Total retail sales	(2.4)%	+ 5.6%
Comparable retail sales	(1.9)%	+ 6.1%

- 4Q comp retail sales (1.9)%, lapping strong sales of COVID-19 related items and the planned decline in tobacco
 - Comp excluding tobacco (1.1)%
 - Three-year stack excluding tobacco +13%
- Digitally initiated retail sales +14%, on top of +82% last year, driven by 3.5 million same-day pick-up orders
- Gross margin expansion with stabilizing shrink levels and effective margin management
- FY22 with comp retail sales +6.1%
 - Led by Health & Wellness +18.0%, driven by at-home COVID-19 tests and cough/cold
 - Personal Care +4.6% and Beauty +4.4%

International Financials

Continuing operations
\$ in millions

	4Q22	Constant Fx B/(W) vs. 4Q21	FY22	Constant Fx B/(W) vs. FY21
Sales	\$5,144	+ 6.7%	\$21,830	+ 13.3%
Adj. gross profit	\$1,110	+ 5.4%	\$4,618	+ 12.2%
Adj. SG&A % of sales	18.4%	+ 0.9%p	17.8%	+ 1.3%p
Adj. operating income	\$163	+ 31.3%	\$726	+ 65.5%
Adj. operating margin	3.2%	+ 0.6%p	3.3%	+ 1.1%p

- 4Q sales increase reflects Boots UK +6.0% and Germany wholesale +6.8%
- AOI +31.3% with growth across all International markets
- Germany integration activities tracking ahead of plan
- Ended FY22 with +13.3% sales growth and +65.5% AOI growth led by Boots UK recovery

Boots UK Financials

4Q22 vs. 4Q21 | FY22 vs. FY21 (constant Fx)

Pharmacy comp. sales

4Q22
(6.9)%

FY22
+ 1.1%

Retail comp. sales

+ 15.2%

+ 19.2%

- Pharmacy comp sales lapping strong demand for COVID-19 services in 4Q21
- Boots growing retail market share, notably in Personal Care and Health and Wellness
- Strong 4Q retail comp sales recovering to above pre-pandemic levels
 - Store footfall ~+20% vs. prior year, with strong performance in flagships and travel locations
 - Boots.com continues to perform well; 11% Boots total retail sales vs. ~6% pre-COVID levels
- FY22 performance demonstrates continued recovery reflecting strong growth in all retail categories as well as disciplined cost management

U.S. Healthcare Financials

<i>\$ in millions</i>	4Q22	B/(W) vs. 4Q21	FY22	B/(W) vs. FY21
Sales	\$622	+ \$622	\$1,795	+ \$1,795
Adj. gross profit	\$(9)	\$(9)	\$6	+ \$6
Adj. SG&A	\$(143)	\$(117)	\$(376)	\$(319)
Adj. operating loss	\$(151)	\$(126)	\$(370)	\$(313)

- 4Q U.S. Healthcare pro forma sales growth +34%
 - VillageMD pro forma sales growth +31%
 - Shields pro forma sales growth +48%
- Adj. gross profit impacted by VillageMD expansion: 334 total clinics vs. 252 in 4Q21
- Organic investments were \$45M in the quarter
- Majority-owned investments dilutive to AOI by \$106M in 4Q, reflecting VillageMD growth investments

Cash Flow

<i>\$ in millions</i>	FY22	B/(W) vs. FY21
Operating cash flow	\$3,899	\$(1,656)
Cash capital expenditure	\$(1,734)	\$(355)
Free cash flow	\$2,165	\$(2,011)

- Cash generation of \$3.9B in operating cash flow and \$2.2B of free cash flow
- Year-over-year operating cash flow adversely impacted by:
 - Unwind of AllianceRx Walgreens working capital (~\$400M)
 - Absence of COVID-19 related government support (~\$400M)
 - Seasonal inventory pre-buy; inventory expected to come back in line with historic levels in FY23
 - Phasing and one-time items including legal settlements
- Increased capex to fund growth initiatives including VillageMD rollout, automated microfulfillment centers, and digital transformation

Guidance

James Kehoe
Chief Financial Officer
WBA



Confident in long-term growth algorithm; strong FY23 core growth more than offset by lower levels of vaccinations & testing

- **FY23 adj. EPS guidance of \$4.45-\$4.65** vs. FY22 adj. EPS of \$5.04
- **Strong core business driving 8-10% of EPS growth**; offset by:
 - Lapping strong COVID-19 execution: 15-17% headwind
 - Recent adverse currency movement: ~2% headwind
- **Confident in our long-term growth algorithm**, raising U.S. Healthcare targets
 - U.S. Healthcare FY25 **sales target increased to \$11-12B** (from \$9-10B)
 - Now expecting **U.S. Healthcare positive adj. EBITDA by FY24**

WBA FY23 Outlook

WBA	FY23	CFx % YOY Change	CFx % YOY ex. COVID-19
Sales	\$130.5 - \$134.0B	0% - +3%	+2% - +4%
Adj. Op. Income	\$4.7 - \$4.9B	(7)% - (4)%	+13% - +16%
Adj. EPS	\$4.45 - \$4.65	(10)% - (6)%	+8% - +10%

Key Considerations:

- COVID-19 EPS headwind of 15-17% (\$0.75-\$0.85)
- Healthy core business driving CFx EPS growth of 8-10% ex. COVID-19
 - U.S. Retail Pharmacy 10-11% AOI growth
 - International 26-32% AOI growth
 - U.S. Healthcare \$20-40M AOI improvement
- Fx expected to be ~2% headwind to adj. EPS
 - Assumes GBP/USD 1.14, EUR/USD 0.99

U.S. Retail Pharmacy
 Strong core AOI growth partly offsetting COVID-19 headwind

U.S. Retail Pharmacy	FY23	% YOY Change	% YOY ex. COVID-19
Sales	\$105.5 - \$107.5B	(3)% - (1)%	(1)% - +1%
Adj. Op. Income	\$4.5 - \$4.6B	(10)% - (9)%	+10% - +11%
Adj. Op. Margin ¹	~3.7% at Midpoint	(30) bps	+45 bps

Key Considerations:

- Sales down LSD due to fewer vaccinations and AllianceRx Walgreens decline; sales growth of +2% ex. COVID-19 and AllianceRx Walgreens
- Expecting 16 million COVID-19 vaccinations vs. 35 million in FY22
- Assuming script recovery from FY22 staffing challenges
- Continued front of store strength, driven by digital/omnichannel, myWalgreens, owned brand, alternative profit streams
- AOI includes negative COVID-19 impact of 17-19%; core growth reflects sales growth, actions to mitigate shrink, and continued TCMP savings

International Continued post- pandemic recovery

International	FY23	% YOY Change	CFx % YOY
Sales	\$20.4 - \$20.9B	(7)% - (4)%	+5% - +7%
Adj. Op. Income	\$830 - \$870M	+14% - +20%	+26% - +32%
Adj. Op. Margin	~4.0% at Midpoint	+70 bps	+65 bps

Key Considerations:

- Fx expected to be a 11-12% headwind to sales and AOI growth
- CFx sales growth of +5-7%, with all markets growing, led by continued Boots UK recovery
- CFx AOI growth of +26-32% driven by solid top-line performance and cost management
- Germany integration activities and cash mobilization tracking ahead of plan

U.S. Healthcare Accelerating to positive adj. EBITDA by FY24

U.S. Healthcare	FY23	% YOY Change
Sales	\$4.9 - \$5.3B	+175% - +195%
Adj. Op. Income	\$(350) - \$(330)M	+5% - +11%
Adj. EBITDA	\$(240) - \$(220)M	+23% - +29%

Key Considerations:

- Sales of ~\$5B including full year of contributions from recent acquisitions
- Targeting 45-55% pro forma sales growth
- Adj. EBITDA improving by \$70-90M vs. prior year, with clear line of sight to profitability by FY24
- Moving past FY22 peak investment period and operating with private equity agility and efficiency

U.S. Healthcare segment scaling to \$5B in sales, with 45-55% pro forma growth

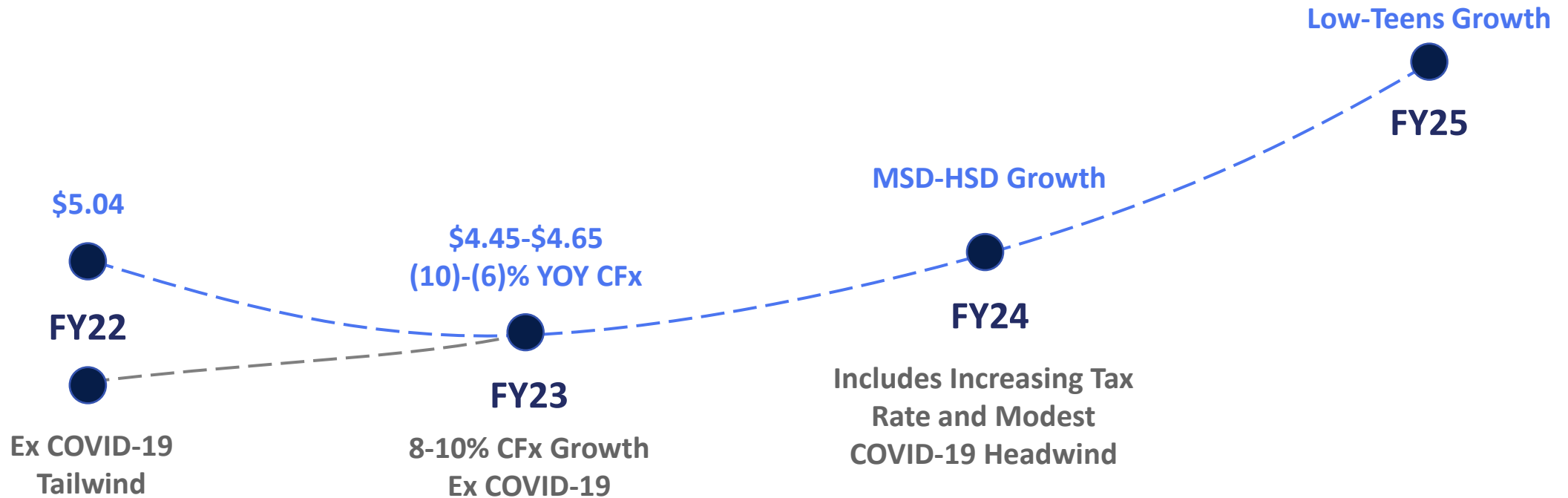
<i>\$ millions</i>	FY22	FY23	% YOY Change	Pro Forma %
Sales	\$1,795	\$4,900 - \$5,300	+175% - +195%	+45% - +55%
VillageMD	\$1,509	\$2,830 - \$3,070	+85% - +105%	+50% - +60%
CareCentrix	-	\$1,520 - \$1,620	-	+20% - +30%
Shields	\$286	\$430 - \$460	+50% - +60%	+30% - +40%
Organic	-	\$120 - \$150	-	-
Adj. Operating Income	\$(370)	\$(350) - \$(330)	+5% - +11%	
Adj. EBITDA	\$(312)	\$(240) - \$(220)	+23% - +29%	
Adj. EBITDA Margin	(17.4)%	~(6)% - (4)%		

FY23 corporate assumptions

<i>\$ millions</i>	FY22	FY23	Comments
Adj. Tax Rate	15.5%	~16%	<ul style="list-style-type: none"> Expected at 20%+ in FY24 and beyond, due to legislative changes
Interest Expense	\$(395)	\$(500) - \$(490)	<ul style="list-style-type: none"> Reflects higher interest rates
Share Repurchases	\$-	\$-	<ul style="list-style-type: none"> Anti-dilutive share purchases only Flexibility for new program beyond FY23
Equity Method Investments	\$108	\$140 - \$150	<ul style="list-style-type: none"> Reflects growth in FY23
Non-Controlling Interests	\$73	\$35 - \$40	<ul style="list-style-type: none"> Improved performance of majority investments
M&A Activity	-	-	<ul style="list-style-type: none"> FY23 guidance assumes current corporate structure, no M&A or divestiture activity assumed
Corporate Costs / Other	\$(251)	\$(240)-\$(230)	<ul style="list-style-type: none"> Corporate costs down YOY

Confident in the long-term growth algorithm

Adj. EPS Outlook



- **Revenue growth:** Balanced across U.S. Retail Pharmacy and International, with rapid expansion in U.S. Healthcare
- **Long-term AOI margin expansion:** FY23 held back by COVID-19 headwind; subsequent expansion as higher-margin U.S. Healthcare grows
- **Ramping EPS growth:** Confirming low-teens growth in FY25 as U.S. Healthcare scales and margins build

Capital allocation priorities underpin financial projections

1 Investment in the Core

- Disciplined, returns-based investment in the core business

2 Strategic M&A and Portfolio Simplification

- Value-accretive M&A aligned to strategy
- Portfolio simplification to unlock value

3 Strong Balance Sheet and Solid Credit Rating

- Maintain strong balance sheet
- Solid investment grade credit rating

4 Capital Return

- Growing dividend
- Excess liquidity for share repurchase

Raising U.S. Healthcare sales outlook to \$11-12B, from \$9-10B

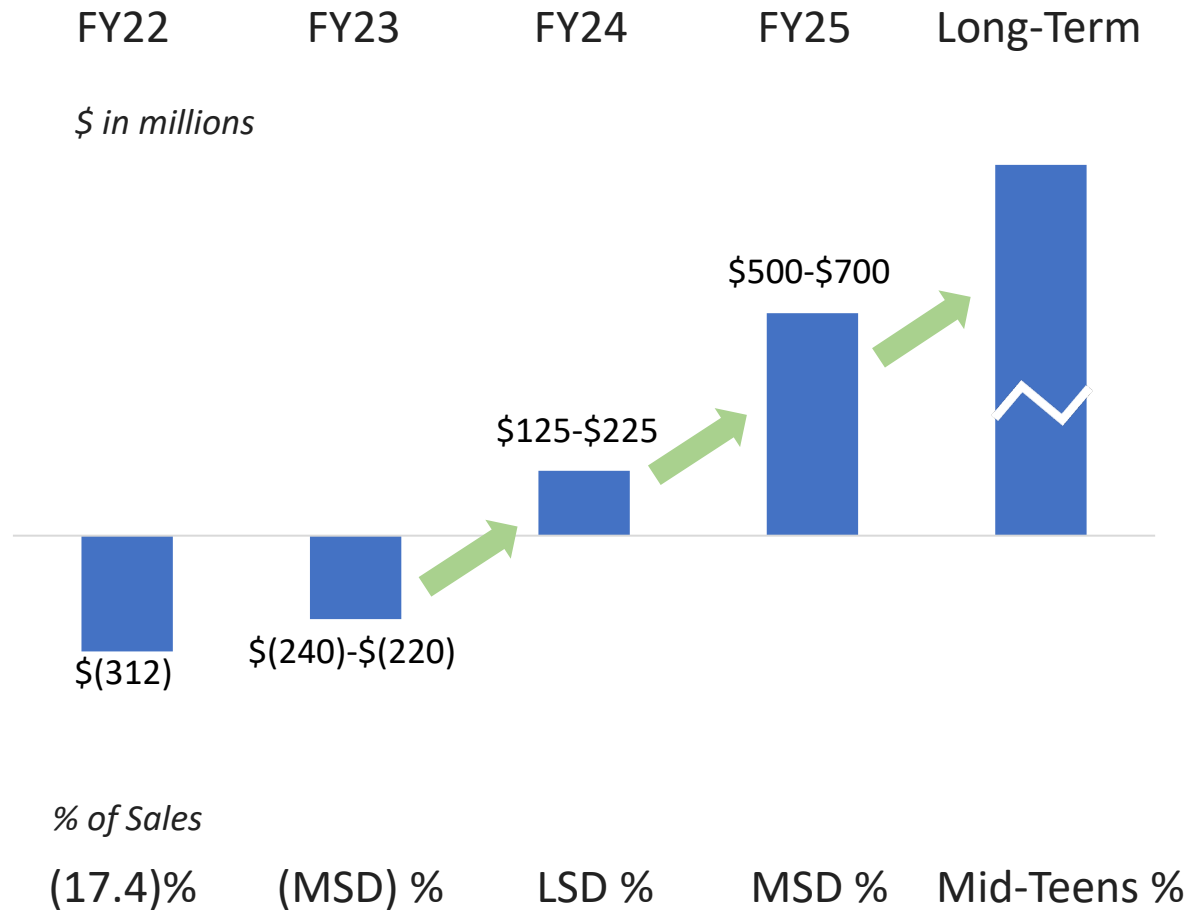
U.S. Healthcare Segment Sales Outlook

■ VillageMD ■ Shields ■ CareCentrix ■ Walgreens Health



Clear path to U.S. Healthcare profitability

U.S. Healthcare Segment Adj. EBITDA and Margin Outlook



Profitability Drivers

- Moving past FY22 peak investment period
- Achieving scale across the portfolio
- Maturing VMD clinic profile
- Shift to risk arrangements
- Profitable growth at Shields
- Private equity discipline
- Unlocking synergies faster

FY23 core growth partly offsets COVID-19 impact; execution of healthcare strategy leads to confidence in long-term growth

Positive Underlying Momentum Partly Offsets COVID-19

- Resilient core U.S. business and continued International recovery
- Lapping strong COVID-19 execution
- Expecting 8-10% constant currency EPS growth ex. COVID-19

U.S. Healthcare Rapidly Approaching Positive Adj. EBITDA

- Scaling to \$5B in FY23 sales with 45-55% pro forma growth
- Greater visibility leading to increased FY25 sales outlook of \$11-12B
- Unlocking synergies faster, driving positive segment adj. EBITDA by FY24

Confident in the Long-Term Growth Algorithm

- Committed to our vision and strategy
- Taking action to unlock shareholder value
- Low-teens EPS growth as healthcare scales and margins build

U.S. Healthcare

John Driscoll
EVP & President
U.S. Healthcare Segment



Introducing our new leader for U.S. Healthcare



**John
Driscoll**

EVP & President,
U.S. Healthcare

25+ years in healthcare

- CEO, CareCentrix
- Former President, Castlight Health
- Led new markets at Medco (\$70B PBM)
- Founded Surescripts ePrescribing Network
- B.A. and MBA from Harvard University, MPhil from Cambridge University

Experienced leader in building businesses

- Grew start-up business to \$20B in sales
- Responsible for \$10B investment portfolio in high-growth healthcare companies
- Led retail network in contracting product development
- Significant health plan experience

Excited to transform
the healthcare system

Walgreens

Walgreens
Health

 Village**MD**

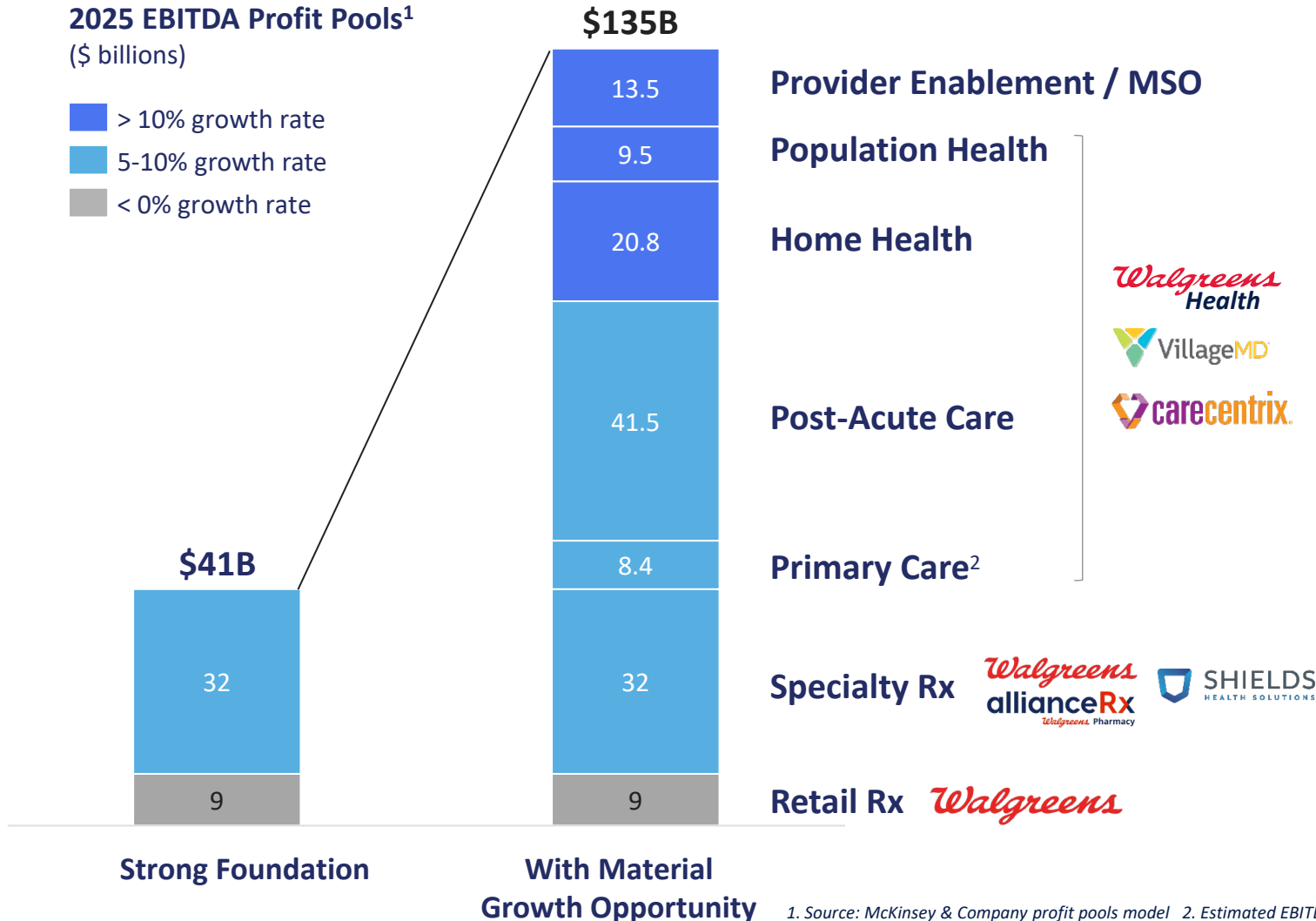
 **SHIELDS**
HEALTH SOLUTIONS

 **carecentrix.**

U.S. Healthcare expands WBA into larger, faster-growing profit pools

2025 EBITDA Profit Pools¹
(\$ billions)

- > 10% growth rate
- 5-10% growth rate
- < 0% growth rate



Strong foundation

in retail and specialty pharmacy services

Rapid growth

for U.S. Healthcare through diverse portfolio and deploying an integrated care model

Improved ROI

by focusing our portfolio on higher-growth assets in faster-growth markets than Retail Pharmacy

Our consumer-centric, tech-enabled care model will engage across the care continuum and drive synergies across the portfolio



Wellness & Prevention

Pre-acute

Primary care

Specialty care

Post-acute



Retail pharmacy services, medication therapy management and adherence

Pharmacist-led chronic disease programs partnered with physicians

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

Specialty pharmacy services with personalized care throughout patient's journey

Post-acute care services, HME, DME, palliative

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

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

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

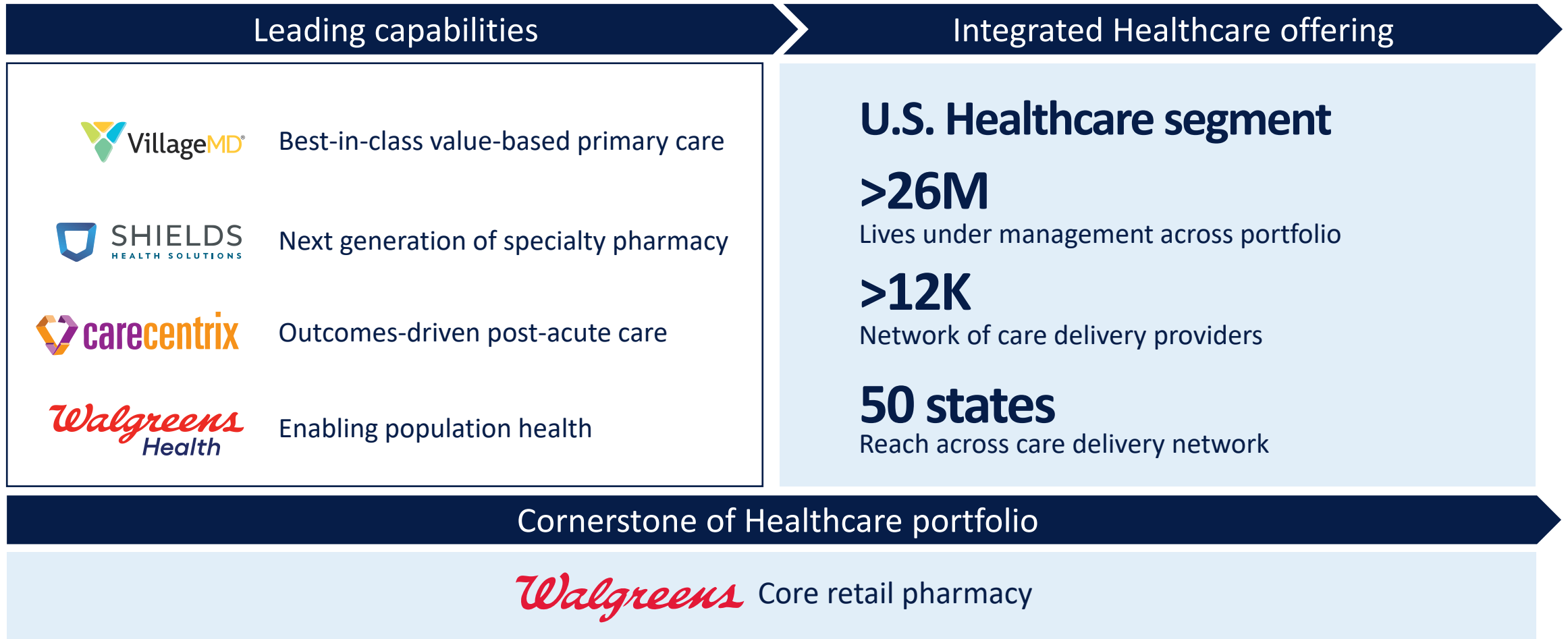
Specialty enablement across key condition types (e.g. CKD, MSK, behavioral/mental health)

Home care services that are high-touch

Synergies across the healthcare portfolio

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

Scaling industry-leading healthcare assets to reimagine care delivery





Pharmacy & Healthcare Services

Overview:

Engaging consumers in localized healthcare through 8,800+ stores and digitally

U.S. Healthcare integration:

- Stores as **anchor access points and one-stop shops** for health & wellness needs
- **Integrated healthcare approach**, leveraging the best of all assets
- **Commercial opportunities** to cover lives and improve outcomes

Deep community relationships

96M

Annual pharmacy patients¹

90K

Healthcare service providers (pharmacists and technicians)

Nearly 50%

Walgreens pharmacies in underserved areas²

Retail Pharmacy offerings

48M+

Vaccines administered (COVID-19, flu, and non-flu)

117M

Visits to the myWalgreens app

+80 bps

Market share growth for acute over-the-counter drugs³

Walgreens health services

2.3M+

Total lives covered through health plan partners

>200K

Consumer interactions from Walgreens Health Advisors

235M+

Patient interventions to drive medication adherence



Overview:

Provider-led, value-based care organization focused on delivering the best health outcomes to all patient populations

U.S. Healthcare integration:

- Leverage Walgreens brand to engage consumers
- Integrated care delivery between VillageMD clinics and Walgreens pharmacies
- Commercial and care delivery opportunities with CareCentrix

Scalable model

342
clinics

Leading player in value-based primary care¹

22
markets

Scalable model to achieve market density

80%

YOY sales growth¹

Accepts all patients

1.6M+

Total patients

430K+

Value-based patients

161K

Medicare and MA value-based patients

Superior outcomes

\$2,400

Annual savings per MA patient²

88

Provider NPS¹

4.0-5.0

Medicare Advantage STARs rating³

1. Clinics as of September 30, 2022; pro forma sales growth and provider NPS as of period ending August 31, 2022 2. Represents average 2021 savings across providers with at least three years of VillageMD experience in mature markets 3. Reflects 2021 Medicare Advantage STARs ratings in mature markets



Best-in-class at addressing all pain points at scale

		Risk-Based Primary Care Providers <i>e.g. Oak Street Health, Cano Health</i>	Tech-Enabled, Fee-for-Service Providers <i>e.g. One Medical</i>	Provider Aggregators / Services Organizations <i>e.g. Agilon Health</i>	Retail Health Providers <i>e.g. Walmart Health</i>
Patient diversification <i>All patients</i>		 <i>MA / Medicare</i>	 <i>Commercial</i>	 <i>Varies by Model</i>	 <i>All patients</i>
Accepts all payor types					
Scalable model <i>(in clinics, in the home, virtually)</i>					
Integrated delivery model <i>(Primary Care & Pharmacy)</i>					
Proprietary technology platform					



Overview:

Creating and accelerating hospital-owned specialty pharmacy programs through unique service model

U.S. Healthcare integration:

- **Balanced approach** to traditional contract pharmacy model
- **Shared access** to payor networks and specialty drugs

Unique service model for specialty pharmacy



High-touch service model with dedicated experts



Broad reach across 44 states



High-growth segment for specialty pharmacy

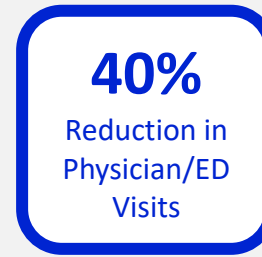
Integrated pharmacy and clinical care team



Superior identification of specialty patients



Standardized care across specialty diseases



Improved outcomes to lower cost of care

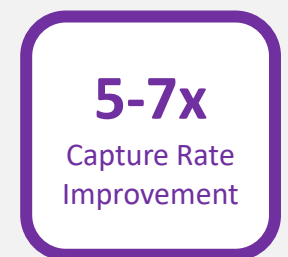
Capturing more value for health systems



Access to payor networks and specialty drugs







Driving share of scripts for health system partners



Best-in-class patient capture for providers

Driving superior results for patients, providers, and payors

		Market Averages	SHIELDS HEALTH SOLUTIONS		Market Averages	SHIELDS HEALTH SOLUTIONS
 to Patients	Average Co-Pay	~\$100	~\$8	Time to Therapy	21 days	48 hrs
 to Physicians	Medication Adherence	65%	92%	Annual Patient Interactions	<10	30+
 to Health Systems	Commercial Payor Access	<10%	90%+	Specialty Capture Rate	<10%	Up to 70%
 to Payors	Reduction in Total Cost of Care	0%	13%	Patient NPS	<50	81

Source: Shields market intelligence



Overview:

Independent, payor-agnostic post-acute and home services platform to accelerate value-based care

U.S. Healthcare integration:

- **Integrated care model** with Walgreens Pharmacy and VillageMD Primary Care
- **Joint cross-sell and go to market opportunities**
- **Shared technology solutions** to accelerate and enhance risk-taking capabilities

National scale & reach



Value-based contracts for payers and providers



National network of home and post-acute providers

Best-in-class outcomes



Lower readmissions rate through enhanced care coordination



Lower total cost of care vs. control groups

Superior care experience



Positive experience for home care providers



Positive experience for home health and home infusion patients

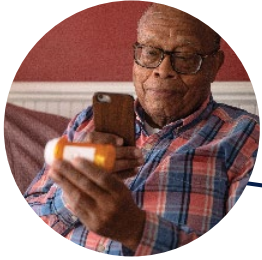


Broadest value-based platform for coordinated home services

	 It pays to care at home	Traditional benefits management <i>e.g. EviCore Healthcare</i>	Traditional post-acute management <i>e.g. NaviHealth</i>	Value-based home health assessments <i>e.g. Signify Health</i>	Value-based home health benefits management <i>e.g. MyNexus</i>
Independent	●	○	○	○	○
National provider network for home services	●	◐	◑	●	◑
Accepts all patient types	●	●	<i>MA-focused</i>	<i>MA-focused</i>	<i>MA-focused</i>
Post-acute and home care	●	●	●	●	◐
Home infusion	●	●	○	○	○
Palliative care	●	○	○	○	◑
Durable medical equipment	●	●	○	○	◑
Home sleep & respiratory	●	●	○	○	○
Predictive analytics platform	●	●	●	●	●

Home benefit management portfolio

Unbeatable combination of physical and digital care delivery



Wellness & Prevention



Pre-acute



Primary care



Specialty care



Post-acute



Local, trusted healthcare across the continuum

Consumer engagement through an omni-channel and personalized experience

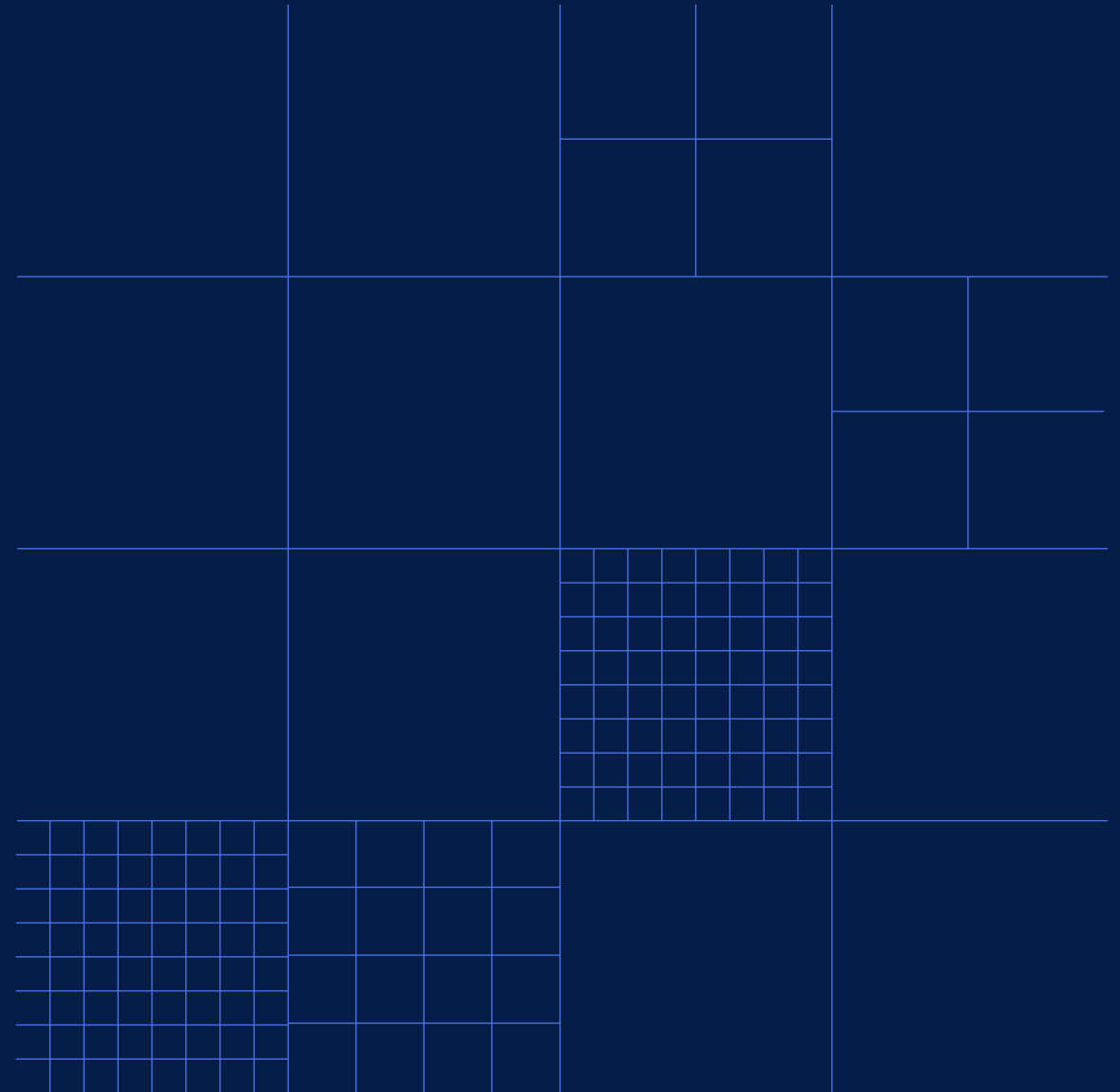
Integrated health solutions launched in select markets this year

Synergies across the healthcare portfolio

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

Summary

Roz Brewer
Chief Executive Officer
WBA

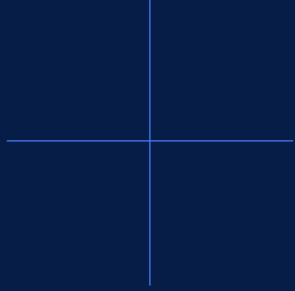


A year of strong execution and transformation to healthcare

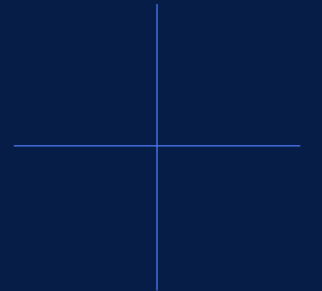
- **Executing well** in a challenging environment
- Accelerating growth and profitability in our **U.S. Healthcare** business, with **raised targets** for the segment
- Making significant progress on **talent and capabilities**
- Rapidly **simplifying the portfolio**
- Committed to our **strategy** and our **long-term growth algorithm**

Q&A





Thank You



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 – 4Q22: gross profit \$5,337; selling general and administrative expenses \$5,174; SG&A as a percent of sales 19.4%; operating income \$251; and operating margin excluding equity earnings (loss) in AmerisourceBergen 0.6%. FY22: gross profit \$23,669; selling general and administrative expenses \$21,180; SG&A as a percent of sales 19.4%; operating income \$2,907; and operating margin excluding equity earnings (loss) in AmerisourceBergen 2.3%.
 - International segment GAAP results on a reported currency basis, dollars in millions – 4Q22: gross profit \$1,110; selling general and administrative expenses \$1,783; SG&A as a percent of sales 34.7%; operating loss \$672; and operating margin (13.1)%. In 4Q22 compared to prior year quarter, on a reported currency basis, the segment's sales decreased 6.6%; and operating margin decreased 13.9 percentage points. FY22: gross profit \$4,618; selling general and administrative expenses \$4,964; SG&A as a percent of sales 22.7%; operating loss \$346; and operating margin (1.6)%. In FY22 compared to prior year period, on a reported currency basis, the segment's sales increased 6.5%; and operating margin decreased 2.7 percentage points.
 - U.S. Healthcare segment GAAP results, dollars in millions — 4Q22: gross loss \$37; selling, general and administrative expenses \$301; SG&A as a percent of sales 48.4%; and operating loss \$338. FY22 — gross loss \$22; selling general and administrative expenses \$806; SG&A as a percent of sales 44.9%; and operating loss \$829.
 - Adjusted gross margin is a non-GAAP financial measure defined as adjusted gross profit by segment by sales by business unit. Adjusted gross profit is a non-GAAP financial measure defined as gross profit by business unit, excluding the impact of costs associated with 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 business units 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 our 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 looting or store damage, and without a major remodel or being subject to a natural disaster in the past twelve months as well as e-commerce sales. E-commerce sales include digitally initiated sales online or through mobile applications. Relocated stores are not included as comparable sales for the first twelve months after the relocation. Acquired stores are not included as comparable sales for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable sales, comparable pharmacy sales, comparable retail sales, comparable number of prescriptions and comparable number of 30-day equivalent prescriptions refer to total sales, pharmacy sales, retail sales, number of prescriptions and number of 30-day equivalent prescriptions, respectively. 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 the following IQVIA information service: IQVIA Prescription Services as of August 31, 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 September 3, 2022.
- 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.
- 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.

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 Earnings and Diluted Net Earnings (Loss) Per Share” reconciliation table on slide 60 to 61 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 and twelve months ended August 31, 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 2022” refer to our fiscal year ended August 31, 2022.

Reconciliation of Non-GAAP financial measures

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

NET EARNINGS	Three months ended August 31,		Change vs. 4Q21		Twelve months ended August 31,		Change vs. FY21	
	2022	2021	Amount	Percent	2022	2021	Amount	Percent
Net (loss) earnings attributable to Walgreens Boots Alliance, Inc. - continuing operations (GAAP)	\$ (415)	\$ 358	\$ (774)	NM	\$ 4,337	\$ 1,994	\$ 2,343	117.5 %
Adjustments to operating income:								
Adjustments to equity earnings (loss) in AmerisourceBergen ¹	63	70			218	1,645		
Acquisition-related amortization ²	239	156			855	523		
Transformational cost management ³	305	79			763	417		
Certain legal and regulatory accruals and settlements ⁴	34	15			768	75		
Acquisition-related costs ⁵	69	29			223	54		
Impairment of goodwill and intangible assets ⁶	783	49			783	49		
LIFO provision ⁷	71	(73)			135	13		
Total adjustments to operating income	1,565	325			3,746	2,775		
Adjustments to other income, net:								
Net investment hedging loss ⁸	—	2			1	8		
Impairment of equity method investment and investment in equity securities ⁹	—	—			190	—		
Adjustment to gain on disposal of discontinued operations ¹⁰	—	—			38	—		
Gain on sale of equity method investment ¹¹	(138)	—			(559)	(290)		
Gain on previously held investments ¹²	—	—			(2,576)	—		
Total adjustments to other income, net	(138)	3			(2,906)	(281)		
Adjustments to interest expense, net:								
Early debt extinguishment ¹³	—	(5)			4	414		
Total adjustments to interest expense, net	—	(5)			4	414		

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 EARNINGS	Three months ended August 31,		Change vs. 4Q21		Twelve months ended August 31,		Change vs. FY21	
	2022	2021	Amount	Percent	2022	2021	Amount	Percent
Adjustments to income tax (benefit) provision:								
UK tax rate change ¹⁴	—	378			—	378		
Equity method non-cash tax ¹⁴	16	8			70	(161)		
Tax impact of adjustments ¹⁴	(285)	(38)			(752)	(283)		
Total adjustments to income tax (benefit) provision	(270)	348			(681)	(65)		
Adjustments to post-tax earnings from other equity method investments:								
Adjustments to earnings in other equity method investments ¹⁵	9	17			58	(504)		
Total adjustments to post-tax earnings from other equity method investments	9	17			58	(504)		
Adjustments to net loss attributable to non-controlling interests - continuing operations:								
Acquisition-related amortization ²	(45)	(30)			(164)	(75)		
Transformational cost management ³	—	(2)			(1)	1		
Acquisition-related costs ⁵	(13)	—			(32)	—		
LIFO provision ⁷	—	5			—	(2)		
Early debt extinguishment ¹³	—	—			(1)	—		
Total adjustments to net loss attributable to non-controlling interests - continuing operations	(58)	(27)			(198)	(77)		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. - continuing operations (Non-GAAP measure)	\$ 694	\$ 1,019	\$ (325)	(31.9)%	\$ 4,360	\$ 4,256	\$ 104	2.5 %

Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries

Supplemental Information (unaudited)

(in millions)

NET EARNINGS	Three months ended August 31,		Change vs. 4Q21		Twelve months ended August 31,		Change vs. FY21	
	2022	2021	Amount	Percent	2022	2021	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. - discontinued operations (GAAP)	\$ —	\$ 268	\$ (268)	(100.0)%	\$ —	\$ 548	\$ (548)	(100.0)%
Acquisition-related amortization ²	—	—			—	28		
Transformational cost management ³	—	—			—	1		
Acquisition-related costs ⁵	—	44			—	92		
Gain on disposal of discontinued operations ¹⁰	—	(322)			—	(322)		
Tax impact of adjustments ¹⁴	—	10			—	(6)		
Total adjustments to net earnings attributable to Walgreens Boots Alliance, Inc. - discontinued operations	\$ —	\$ (268)			\$ —	\$ (206)		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. - discontinued operations (Non-GAAP measure)	\$ —	\$ —			\$ —	\$ 342	\$ (342)	(100.0)%
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 694	\$ 1,019	\$ (325)	(31.9)%	\$ 4,360	\$ 4,598	\$ (237)	(5.2)%

Reconciliation of Non-GAAP financial measures

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

DILUTED NET EARNINGS (LOSS) PER SHARE

	Three months ended August 31,		Change vs. 4Q21		Twelve months ended August 31,		Change vs. FY21	
	2022	2021	Amount	Percent	2022	2021	Amount	Percent
Diluted net (loss) earnings per common share - continuing operations (GAAP) ¹⁶	\$ (0.48)	\$ 0.41	\$ (0.89)	NM	\$ 5.01	\$ 2.30	\$ 2.71	NM
Adjustments to operating income	1.81	0.38			4.33	3.20		
Adjustments to other income, net	(0.16)	—			(3.36)	(0.32)		
Adjustments to interest expense, net	—	(0.01)			0.01	0.48		
Adjustments to income tax (benefit) provision	(0.31)	0.40			(0.79)	(0.08)		
Adjustments to post tax earnings from other equity method investments ¹⁵	0.01	0.02			0.07	(0.58)		
Adjustments to net loss attributable to non-controlling interests	(0.07)	(0.03)			(0.23)	(0.09)		
Adjusted diluted net earnings per common share - continuing operations (Non-GAAP measure) ¹⁷	\$ 0.80	\$ 1.17	\$ (0.37)	(31.8)%	\$ 5.04	\$ 4.91	\$ 0.12	2.5 %
Diluted net earnings per common share - discontinued operations (GAAP)	—	0.31	\$ (0.31)	(100.0)%	—	0.63	\$ (0.63)	(100.0)%
Total adjustments to net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations	—	(0.31)			—	(0.24)		
Adjusted diluted net earnings per common share - discontinued operations (Non-GAAP measure)	—	—			\$ —	\$ 0.39	\$ (0.39)	(100.0)%
Adjusted diluted net earnings per common share (Non-GAAP measure) ¹⁷	\$ 0.80	\$ 1.17	\$ (0.37)	(31.8)%	\$ 5.04	\$ 5.31	\$ (0.27)	(5.1)%
Weighted average common shares outstanding, diluted (in millions) ¹⁷	865.3	867.2			865.9	866.4		

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)

U.S. Healthcare - Adjusted EBITDA

	Twelve months ended August 31,	
	2022	
Operating loss (GAAP)¹⁸	\$	(829)
Acquisition-related amortization ²		392
Acquisition-related costs ⁵		67
Adjusted operating loss (Non-GAAP)		(370)
Depreciation expense		36
Stock-based compensation expense ¹⁹		22
Adjusted EBITDA (Non-GAAP measure)	\$	(312)

Reconciliation of Non-GAAP financial measures

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

- 1 Adjustments to equity earnings (loss) in AmerisourceBergen consist of the Company's proportionate share of non-GAAP adjustments reported by AmerisourceBergen consistent with the Company's non-GAAP measures. The Company recognized equity losses in AmerisourceBergen of \$1,373 million during the three months ended November 30, 2020. These equity losses are primarily due to AmerisourceBergen's recognition of \$5.6 billion, net of tax, charges related to its ongoing opioid litigation in its financial statements for the three months period ended September 30, 2020.
- 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 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.
- 4 Certain legal and regulatory accruals and settlements relate to significant charges associated with certain legal proceedings, including legal defense costs. In fiscal 2022, the Company recorded a \$683 million charge related to a settlement agreement with the State of Florida to resolve all claims related to the distribution and dispensing of prescription opioid medications across the Company's pharmacies in the State of Florida. 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.
- 5 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.
- 6 Impairment of goodwill and intangible assets do not relate to the ordinary course of the Company's business. 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.
- 7 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.
- 8 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.
- 9 Impairment of equity method investment and investment in equity securities includes impairment of certain investments. The Company excludes these charges when evaluating operating performance because these do not relate to the ordinary course of the Company's business and it does not incur such charges on a predictable basis. Exclusion of such charges enables more consistent evaluation of the Company's operating performance. These charges are recorded within Other income, net.
- 10 In fiscal 2022, the Company finalized the working capital adjustments with AmerisourceBergen related to the sale of the Alliance Healthcare business, resulting in a \$38 million charge recorded to Other income, net in the Consolidated Statement of Earnings. In fiscal 2021, the Company recorded a net gain of \$322 million within results of discontinued operations related to the sale of the Alliance Healthcare business. This gain was excluded as it is not reflective of normal operating activities.
- 11 Includes significant gains on the sale of equity method investments. In fiscal 2022, the Company recorded a gain of \$417 million and \$145 million in Other income, net due to a partial sale of its equity method investments in AmerisourceBergen and Option Care Health, respectively. In fiscal 2021, the Company recorded a gain of \$290 million in Other income, net due to a partial sale of ownership interest in Option Care Health by the Company's then equity method investee HC Group Holdings.
- 12 Includes significant gains on business combinations due to the remeasurement of previously held minority equity interests and debt securities to fair value. In fiscal 2022, the Company recorded such pre-tax gains of \$2.2 billion and \$402 million for VillageMD and Shields, respectively.
- 13 In fiscal 2022, the Company incurred a \$4 million loss in connection with the early extinguishment of debt related to the integration of Shields. In fiscal 2021, the Company incurred a \$419 million loss related to the Company's cash tender offers to partially purchase and retire \$3.3 billion of long-term U.S. denominated notes. The Company excludes these charges as related activities do not reflect the Company's ongoing financial performance.
- 14 Adjustments to income tax provision (benefit) include adjustments to the GAAP basis tax provision (benefit) commensurate with non-GAAP adjustments and certain discrete tax items including U.S. and U.K. tax law changes and equity method non-cash tax. These charges are recorded within income tax provision (benefit).

Reconciliation of Non-GAAP financial measures

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

- 15 Adjustments to post tax earnings from other equity method investments consist of the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the Company's non-GAAP adjustments. These charges are recorded within post tax earnings 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. In fiscal 2021, due to partial sales of ownership interests in Option Care Health, our then equity method investee HC Group Holdings lost the ability to control Option Care Health and, therefore, deconsolidated Option Care Health in its financial statements. As a result of this deconsolidation, HC Group Holdings recognized a gain of \$1.2 billion and the Company recorded its share of equity earnings in HC Group Holdings of \$576 million.
- 16 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 August 31, 2022. The impact of these potentially dilutive securities has been included in the calculation of weighted-average common shares outstanding for diluted EPS for the twelve months ended August 31, 2022.
- 17 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 and twelve months ended August 31, 2022.
- 18 The Company reconciles Adjusted EBITDA for U.S. Healthcare segment to Operating income (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.
- 19 Stock-based compensation as per U.S. GAAP, excluding acquisition related fair value adjustments and acquisition-related costs as described in footnotes 2 and 5 above.

Reconciliation of Non-GAAP financial measures

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

	Three months ended August 31, 2022				
	U.S. Retail Pharmacy ¹	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 26,683	\$ 5,144	\$ 622	\$ —	\$ 32,449
Gross profit (loss) (GAAP)	\$ 5,337	\$ 1,110	\$ (37)	\$ —	\$ 6,410
LIFO provision	71	—	—	—	71
Acquisition-related amortization	5	—	28	—	34
Adjusted gross profit (loss) (Non-GAAP measure)	\$ 5,413	\$ 1,110	\$ (9)	\$ —	\$ 6,515
Selling, general and administrative expenses (GAAP)	\$ 5,174	\$ 1,783	\$ 301	\$ 62	\$ 7,320
Acquisition-related costs	—	(16)	(44)	(8)	(69)
Transformational cost management	(285)	(19)	—	(1)	(305)
Acquisition-related amortization	(75)	(16)	(115)	—	(206)
Certain legal and regulatory accruals and settlements	(34)	—	—	—	(34)
Impairment of goodwill and intangible assets	—	(783)	—	—	(783)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,779	\$ 947	\$ 143	\$ 53	\$ 5,922
Operating income (loss) (GAAP)	\$ 251	\$ (672)	\$ (338)	\$ (62)	\$ (822)
Certain legal and regulatory accruals and settlements	34	—	—	—	34
Acquisition-related amortization	80	16	143	—	239
Transformational cost management	285	19	—	1	305
Adjustments to equity earnings (loss) in AmerisourceBergen	63	—	—	—	63
Acquisition-related costs	—	16	44	8	69
LIFO provision	71	—	—	—	71
Impairment of goodwill and intangible assets	—	783	—	—	783
Adjusted operating income (loss) (Non-GAAP measure)	\$ 786	\$ 163	\$ (151)	\$ (53)	\$ 744
Gross margin (GAAP)	20.0 %	21.6 %	(5.9)%		19.8 %
Adjusted gross margin (Non-GAAP measure)	20.3 %	21.6 %	(1.4)%		20.1 %
Selling, general and administrative expenses percent to sales (GAAP)	19.4 %	34.7 %	48.4 %		22.6 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.9 %	18.4 %	23.0 %		18.3 %
Operating margin ²	0.6 %	(13.1)%	(54.4)%		(2.8)%
Adjusted operating margin (Non-GAAP measure) ²	2.4 %	3.2 %	(24.3)%		1.8 %

Reconciliation of Non-GAAP financial measures

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

	Three months ended August 31, 2021				
	U.S. Retail Pharmacy ¹	International	U.S. Healthcare ³	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 28,755	\$ 5,507	\$ —	\$ —	\$ 34,262
Gross profit (GAAP)	\$ 6,302	\$ 1,198	\$ —	\$ 3	\$ 7,503
LIFO provision	(73)	—	—	—	(73)
Acquisition-related amortization	5	—	—	—	5
Adjusted gross profit (Non-GAAP measure)	\$ 6,234	\$ 1,198	\$ —	\$ 3	\$ 7,436
Selling, general and administrative expenses (GAAP)	\$ 5,347	\$ 1,152	\$ 26	\$ 124	\$ 6,649
Acquisition-related costs	(4)	(16)	—	(9)	(29)
Transformational cost management	(66)	(12)	—	(2)	(80)
Acquisition-related amortization	(132)	(18)	—	—	(151)
Certain legal and regulatory accruals and settlements	(15)	—	—	—	(15)
Impairment of goodwill and intangible assets	—	(49)	—	—	(49)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 5,131	\$ 1,057	\$ 26	\$ 112	\$ 6,326
Operating income (loss) (GAAP)	\$ 1,011	\$ 46	\$ (26)	\$ (121)	\$ 910
Certain legal and regulatory accruals and settlements	15	—	—	—	15
Acquisition-related amortization	137	18	—	—	156
Transformational cost management	66	11	—	2	79
Adjustments to equity earnings (loss) in AmerisourceBergen	70	—	—	—	70
Acquisition-related costs	4	16	—	9	29
LIFO provision	(73)	—	—	—	(73)
Impairment of goodwill and intangible assets	—	49	—	—	49
Adjusted operating income (Non-GAAP measure)	\$ 1,230	\$ 140	\$ (26)	\$ (109)	\$ 1,236
Gross margin (GAAP)	21.9 %	21.8 %	— %	—	21.9 %
Adjusted gross margin (Non-GAAP measure)	21.7 %	21.8 %	— %	—	21.7 %
Selling, general and administrative expenses percent to sales (GAAP)	18.6 %	20.9 %	— %	—	19.4 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.8 %	19.2 %	— %	—	18.5 %
Operating margin ²	3.3 %	0.8 %	— %	—	2.5 %
Adjusted operating margin (Non-GAAP measure) ²	3.8 %	2.5 %	— %	—	3.2 %

Reconciliation of Non-GAAP financial measures

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

	Twelve months ended August 31, 2022				
	U.S. Retail Pharmacy ¹	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 109,078	\$ 21,830	\$ 1,795	\$ —	\$ 132,703
Gross profit (loss) (GAAP)	\$ 23,669	\$ 4,618	\$ (22)	\$ —	\$ 28,265
LIFO provision	135	—	—	—	135
Acquisition-related amortization	23	—	28	—	51
Adjusted gross profit (Non-GAAP measure)	\$ 23,827	\$ 4,618	\$ 6	\$ —	\$ 28,452
Selling, general and administrative expenses (GAAP)	\$ 21,180	\$ 4,964	\$ 806	\$ 345	\$ 27,295
Acquisition-related costs	2	(89)	(67)	(69)	(223)
Transformational cost management	(605)	(133)	—	(26)	(763)
Acquisition-related amortization	(375)	(66)	(363)	—	(804)
Certain legal and regulatory accruals and settlements	(768)	—	—	—	(768)
Impairment of goodwill and intangible assets	—	(783)	—	—	(783)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 19,434	\$ 3,893	\$ 376	\$ 251	\$ 23,954
Operating income (loss) (GAAP)	\$ 2,907	\$ (346)	\$ (829)	\$ (345)	\$ 1,387
Certain legal and regulatory accruals and settlements	768	—	—	—	768
Acquisition-related amortization	398	66	392	—	855
Transformational cost management	604	133	—	26	763
Adjustments to equity earnings (loss) in AmerisourceBergen	218	—	—	—	218
Acquisition-related costs	(2)	89	67	69	223
LIFO provision	135	—	—	—	135
Impairment of goodwill and intangible assets	—	783	—	—	783
Adjusted operating income (loss) (Non-GAAP measure)	\$ 5,029	\$ 726	\$ (370)	\$ (251)	\$ 5,133
Gross margin (GAAP)	21.7 %	21.2 %	(1.2)%		21.3 %
Adjusted gross margin (Non-GAAP measure)	21.8 %	21.2 %	0.3 %		21.4 %
Selling, general and administrative expenses percent to sales (GAAP)	19.4 %	22.7 %	44.9 %		20.6 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.8 %	17.8 %	20.9 %		18.1 %
Operating margin ²	2.3 %	(1.6)%	(46.2)%		0.7 %
Adjusted operating margin (Non-GAAP measure) ²	4.0 %	3.3 %	(20.6)%		3.4 %

Reconciliation of Non-GAAP financial measures

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

	Twelve months ended August 31, 2021				
	U.S. Retail Pharmacy ¹	International	U.S. Healthcare ³	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 112,005	\$ 20,505	\$ —	\$ —	\$ 132,509
Gross profit (GAAP)	\$ 23,736	\$ 4,328	\$ —	\$ 4	\$ 28,067
LIFO provision	13	—	—	—	13
Acquisition-related amortization	11	—	—	—	11
Transformational cost management	—	(2)	—	—	(1)
Adjusted gross profit (Non-GAAP measure)	\$ 23,759	\$ 4,327	\$ —	\$ 4	\$ 28,089
Selling, general and administrative expenses (GAAP)	\$ 20,042	\$ 4,101	\$ 57	\$ 385	\$ 24,586
Acquisition-related amortization	(438)	(75)	—	—	(512)
Transformational cost management	(279)	(93)	—	(46)	(418)
Certain legal and regulatory accruals and settlements	(75)	—	—	—	(75)
Acquisition-related costs	(6)	(24)	—	(24)	(54)
Impairment of goodwill and intangible assets	—	(49)	—	—	(49)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 19,245	\$ 3,861	\$ 57	\$ 315	\$ 23,477
Operating income (loss) (GAAP)	\$ 2,554	\$ 227	\$ (57)	\$ (382)	\$ 2,342
Adjustments to equity earnings (loss) in AmerisourceBergen	1,645	—	—	—	1,645
Acquisition-related amortization	448	75	—	—	523
Transformational cost management	279	91	—	46	417
Certain legal and regulatory accruals and settlements	75	—	—	—	75
Acquisition-related costs	6	24	—	24	54
Impairment of goodwill and intangible assets	—	49	—	—	49
LIFO provision	13	—	—	—	13
Adjusted operating income (loss) (Non-GAAP measure)	\$ 5,019	\$ 466	\$ (57)	\$ (311)	\$ 5,117
Gross margin (GAAP)	21.2 %	21.1 %	— %		21.2 %
Adjusted gross margin (Non-GAAP measure)	21.2 %	21.1 %	— %		21.2 %
Selling, general and administrative expenses percent to sales (GAAP)	17.9 %	20.0 %	— %		18.6 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.2 %	18.8 %	— %		17.7 %
Operating margin ²	3.3 %	1.1 %	— %		2.6 %
Adjusted operating margin (Non-GAAP measure) ²	4.0 %	2.3 %	— %		3.5 %

Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries

Supplemental Information (unaudited)

(in millions)

- 1 Operating income (loss) for U.S. Retail Pharmacy segment includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three and twelve month period ended August 31, 2022 includes AmerisourceBergen equity earnings (loss) for the period of April 1, 2022 through June 30, 2022 and the period of July 1, 2021 through June 30, 2022, respectively. Operating income (loss) for the three and twelve month period ended August 31, 2021 includes AmerisourceBergen equity earnings for the period of April 1, 2021 through June 30, 2021, and the period of July 1, 2020 through June 30, 2021, respectively.
- 2 Operating margins and adjusted operating margins have been calculated excluding equity earnings (loss) in AmerisourceBergen and adjusted equity earnings (loss) in AmerisourceBergen, respectively.
- 3 Fiscal 2021 data related to U.S. Healthcare operating segment has been reclassified to conform to the current period presentation.

Reconciliation of Non-GAAP financial measures

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

EQUITY EARNINGS (LOSS) IN AMERISOURCEBERGEN

	Three months ended August 31,		Twelve months ended August 31,	
	2022	2021	2022	2021
Equity earnings (loss) in AmerisourceBergen (GAAP)	\$ 88	\$ 56	\$ 418	\$ (1,139)
Acquisition-related intangibles amortization	38	38	152	127
Employee severance, litigation, and other	13	63	58	1,643
Certain discrete tax benefit	—	—	7	—
Tax reform	5	37	12	(46)
Impairment of assets	—	—	5	3
Impairment of non-customer note receivable	—	—	4	—
Gain from antitrust litigation settlements	—	(37)	3	(37)
Goodwill impairment	7	—	8	—
New York State Opioid Stewardship Act	—	—	—	3
LIFO provision	5	(31)	(8)	(48)
Gain on remeasurement of equity investment	—	—	(18)	—
Turkey highly inflationary impact	8	—	8	—
Gain on sale of businesses	(12)	—	(12)	—
Non-controlling interest	—	—	—	(1)
Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 152	\$ 126	\$ 636	\$ 505

Reconciliation of Non-GAAP financial measures

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

ADJUSTED EFFECTIVE TAX RATE

	Three months ended August 31, 2022			Three months ended August 31, 2021		
	Earnings (loss) before income tax provision	Income tax (benefit) provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ (758)	\$ (235)	31.1%	\$ 908	\$ 586	64.6%
Impact of non-GAAP adjustments	1,428	323		324	61	
Equity method non-cash tax	—	(16)		—	(8)	
UK tax rate change	—	—		—	(378)	
Adjusted tax rate true-up	—	(37)		—	(23)	
Subtotal	\$ 670	\$ 35		\$ 1,231	\$ 239	
Exclude adjusted equity earnings in AmerisourceBergen	(152)	—		(126)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 519	\$ 35	6.7%	\$ 1,105	\$ 239	21.7%

ADJUSTED EFFECTIVE TAX RATE

	Twelve months ended August 31, 2022			Twelve months ended August 31, 2021		
	Earnings before income tax provision	Income tax (benefit) provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 3,985	\$ (30)	(0.8)%	\$ 1,995	\$ 667	33.4%
Impact of non-GAAP adjustments	845	752		2,908	283	
Equity method non-cash tax	—	(70)		—	161	
UK tax rate change	—	—		—	(378)	
Subtotal	\$ 4,830	\$ 651		\$ 4,903	\$ 733	
Exclude adjusted equity earnings in AmerisourceBergen	(636)	—		(505)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 4,194	\$ 651	15.5%	\$ 4,398	\$ 733	16.7%

Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries

Supplemental Information (unaudited)

(in millions)

FREE CASH FLOW

	Three months ended August 31,		Twelve months ended August 31,	
	2022	2021	2022	2021
Net cash provided by operating activities (GAAP)	\$ 85	\$ 1,245	\$ 3,899	\$ 5,555
Less: Additions to property, plant and equipment	(493)	(378)	(1,734)	(1,379)
Free cash flow - (Non-GAAP measure)¹	\$ (407)	\$ 867	\$ 2,165	\$ 4,176

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.