

# Fiscal 2021

## Second Quarter Results

March 31, 2021



Walgreens Boots Alliance

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# Safe harbor and non-GAAP

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

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

**Non-GAAP Financial Measures:** Today’s presentation includes certain non-GAAP financial measures, including all measures whose label includes the words “adjusted”, “constant currency”, or “free cash flow” or variations of such words and similar expressions, and we refer you to the endnotes on page 22 and the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable U.S. GAAP financial measures and related information.

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



# Introduction

- **Excited to be leading WBA**
  - committing to a deep immersion
  - engaging with a talented team
  - absorbing the rich culture
- **Great time to join the organization**
  - strong 1H financial performance
  - vaccine administration provides opportunity to accelerate strategic priorities
  - significant healthcare opportunities lie ahead
- **Look forward to sharing our future strategic vision**



# Segment Structure

- United States
- International



# New financial reporting structure

## Continuing Operations

### United States

Walgreens  
AllianceRx WP  
iA

ABC income

### International

Boots UK, Republic of  
Ireland & Opticians

Mexico  
Chile  
Boots Thailand  
Franchising

Germany wholesale

### Corporate & Other

Corporate costs

WBA investments

### Discontinued operations

Divested wholesale  
businesses

Norway, Lithuania,  
Netherlands retail  
pharmacy  
businesses



# WBA Financial Performance



# 2Q financial highlights

- **Total adjusted EPS \$1.40; exceeded expectations**
  - -8.2% below prior year in constant Fx
- **Continuing operations adjusted EPS \$1.26, -10.8% below prior year in constant Fx**
  - includes an estimated COVID-19 impact of \$0.40 to \$0.45
- **Strong second quarter performance**
  - driven by pharmacy margins, strong cost management and international performance
  - partially held back by significantly weaker cold, cough, flu season and lockdowns in key markets
- **Strong cash generation with YTD operating cash flow \$2.6bn and free cash flow \$1.9bn, up +4.8% vs. prior year**
- **Transformational cost management program remains on track**
  - expect to deliver in excess of \$2bn of annual cost savings by FY22
- **Raising adjusted EPS guidance to mid-to-high single digit growth**



# 2Q financial highlights

<u>Results, as recast</u> <i>\$ in millions (except EPS)</i>		2Q21	Reported Fx B/(W) vs. 2Q20	Constant Fx B/(W) vs. 2Q20
Sales (continuing)		\$32,779	+ 4.6%	+ 3.5%
Operating income (continuing)	GAAP	\$832	- 26.8%	
	Adjusted	\$1,225	- 22.5%	- 22.9%
EPS - total	GAAP	\$1.19	+ 10.9%	
	Adjusted	\$1.40	- 7.5%	- 8.2%
EPS - discontinued	GAAP	\$0.12	+ 35.0%	
	Adjusted	\$0.14	+ 25.9%	+ 26.0%
EPS - continuing	GAAP	\$1.06	+ 8.7%	
	Adjusted	\$1.26	- 10.1%	- 10.8%

- Estimated COVID-19 continuing operations adverse impact: EPS \$0.40 - \$0.45





# First half FY21 financial highlights

<u>Results, as recast</u> <i>\$ in millions (except EPS)</i>		1H21	Reported Fx B/(W) vs. 1H20	Constant Fx B/(W) vs. 1H20
Sales (continuing)		\$64,217	+ 4.8%	+ 4.0%
Operating income (continuing)	GAAP	\$298	- 85.5%	
	Adjusted	\$2,422	- 17.2%	- 17.6%
EPS - total	GAAP	\$0.83	- 58.8%	
	Adjusted	\$2.62	- 9.3%	- 9.8%
EPS - discontinued	GAAP	\$0.22	+ 24.1%	
	Adjusted	\$0.26	+ 16.1%	+ 16.6%
EPS - continuing	GAAP	\$0.61	- 66.7%	
	Adjusted	\$2.36	- 11.4%	- 12.0%

- Estimated COVID-19 continuing operations adverse impact: EPS \$0.70 - \$0.75



# United States – financials

## Continuing operations, as recast

*\$ in millions*

	2Q21	B/(W) vs. 2Q20	1H21	B/(W) vs. 1H20
Sales	\$27,344	+ 0.4%	\$54,507	+ 2.1%
Adj. gross profit	\$5,704	- 3.2%	\$11,375	- 2.5%
Adj. SG&A % of sales	17.1%	- 0.3%p	17.0%	+ 0.1%p
Adj. operating income	\$1,163	- 18.2%	\$2,318	- 14.9%
Adj. operating margin <sup>1</sup>	3.8%	- 1.1%p	3.8%	- 0.9%p



1) U.S. segment adj. operating margin excludes impact of adj. ABC equity earnings

# United States – pharmacy

	2Q Total	2Q Comparable	1H Total	1H Comparable
<b>2Q21 vs. 2Q20</b>				
<b>Pharmacy sales</b>	<b>+ 3.0%</b>	<b>+ 4.5%</b>	<b>+ 4.4%</b>	<b>+ 4.8%</b>
<b>Prescriptions</b>	<b>- 2.8%</b>	<b>- 1.1%</b>	<b>- 0.8%</b>	<b>+ 0.7%</b>

- Total prescription growth negatively impacted by store optimization programs -65bps and leap year -60bps
- 2Q Rx script comp. performance held back by weak seasonal flu & fewer doctor visits -480bps
- COVID-19 vaccinations ~4.1 million in the quarter; boosted comp growth by +140bps
- Rx market share 20.9%, -30bps below prior year



# United States – retail

<b>2Q21 vs. 2Q20</b>	<b>2Q</b>	<b>1H</b>
<b>Total retail sales</b>	<b>- 6.6%</b>	<b>- 4.6%</b>
<b>Comparable retail sales</b>	<b>- 3.5%</b>	<b>- 1.7%</b>

- **Total retail sales growth negatively impacted by store optimization programs -80bps and leap year ~-100bps**
- **2Q comp. retail sales ex-tobacco & e-cig. -2.7% as COVID-19 continues to impact store traffic and purchasing behavior, with transactions down -16.5% partly offset by larger basket size**
- **Lower sales of cold, cough, flu products impacting retail comps by ~-350bps**
- **Digitally initiated retail sales grew +78% up to \$370 million in 2Q**



# International – financials

<u>Continuing operations, as recast</u> <i>\$ in millions</i>	2Q21	Constant Fx B/(W) vs. 2Q20	1H21	Constant Fx B/(W) vs. 1H20
Sales	\$5,425	+ 23.9%	\$9,709	+ 16.7%
Adj. gross profit	\$1,078	- 13.4%	\$2,069	- 11.7%
Adj. SG&A % of sales	17.2%	+ 6.5%p	18.9%	+ 5.7%p
Adj. operating income	\$146	- 31.8%	\$232	- 24.1%
Adj. operating margin	2.7%	- 2.2%p	2.4%	- 1.3%p

- Germany wholesale joint venture provided +33.8% lift to sales in constant Fx, but was dilutive to adj. operating margin by approximately -250bps
- Decline in AOI driven by COVID-19 lockdowns, partly offset by strong cost management



# Boots UK – financials

2Q21 vs. 2Q20 (constant Fx)	2Q	1H
Pharmacy comp. sales	+ 3.2%	+ 2.8%
Retail comp. sales	- 17.9%	- 13.9%

- Pharmacy comp. sales impacted by lower demand for scripts, notably in city centers, offset by favorable NHS funding phasing and a partial recovery in services
- National UK lockdown in January and February led to sequential 2Q retail declines
  - store transactions down significantly ~-50% vs. prior year partially offset by larger basket size ~+30%, major high street and 'travel' locations challenged
  - continued strong Boots.com sales up +105% vs. prior year



# Cash flow

<b>\$ in millions</b>	<b>1H21</b>	<b>B/(W) vs. 1H20</b>
<b>Operating cash flow</b>	<b>\$2,556</b>	<b>\$72</b>
<b>Cash capital expenditure</b>	<b>\$692</b>	<b>\$13</b>
<b>Free cash flow</b>	<b>\$1,864</b>	<b>\$85</b>

- **YTD free cash flow grew +4.8% versus prior year**
- **Payment terms and pharmacy inventory optimization driving working capital benefits**
- **FCF continues to benefit from one-time COVID-19 related government support but more than offset by COVID-19 income impacts**



# Fiscal year 2021 guidance

**Constant Fx continuing ops. adj. EPS growth: mid-to-high single digit**

- Raising total adj. EPS guidance to mid-to-high single digit growth
- Improved outlook reflecting strong 1H & anticipated significant 2H EPS growth

## Headwinds

- Exceptionally weak cold, cough, flu season
- Persistent lockdowns creating uncertainty
- Investments in omni-channel and COVID-19

## Tailwinds

- + Improved Boots performance
- + Strong cost management
- + Better pharmacy margins
- + Lower tax rate (~90bps better)
- + COVID-19 vaccinations & testing





# WBA initiatives

## Capital Allocation/ M&A Initiatives

- Majority investment in iA, automated pharmacy solutions company
- Alliance Healthcare divestiture on schedule to close before end of FY21
- Partial sale of Option Care Health, Inc. investment, \$230m proceeds

## Tech-Enabled Healthcare Startup

- Launch preparation broadly on track
- Digital & physical channel development underway
- Partnership & minority investment in VIM (scheduling)
- Prioritizing Newco standup/governance to drive speed to market

## Transformational Cost Management Program

- Maintaining savings goal of in excess of \$2 billion by FY22
  - Alliance Healthcare savings \$80m, offset by additional saving opportunities
- Key programs progressing well, positioning WBA for the future
  - Store optimization programs in the U.S. and UK with further Boots UK restructuring
  - IT and Finance transformations advancing with our strategic partners



# International initiatives

- Boots brand continues to strengthen with UK consumers
  - YouGov reputation score at five-year high
- Boots.com continues to be a top UK online destination for consumers, sales up +105% in 2Q vs. 2Q20
- Rolled out new No7 counters in more than 100 additional locations, bringing total to over 750 stores
- Playing a key role in supporting NHS COVID-19 response
  - 66 active testing sites with >2.6m tests to date; and
  - 25 major vaccination hubs now operated by Boots UK
- Wholesale JV in Germany proceeding according to plan; will unlock improved profitability in coming years
- China JV continues to grow, reaching ~7,900 locations



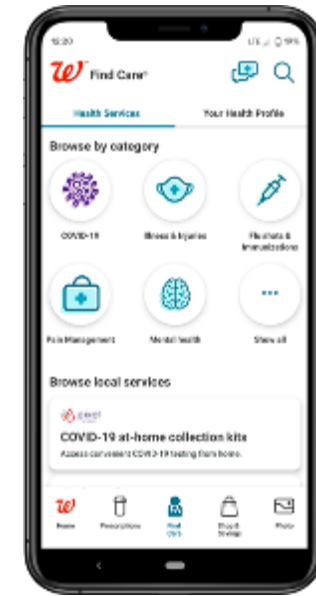
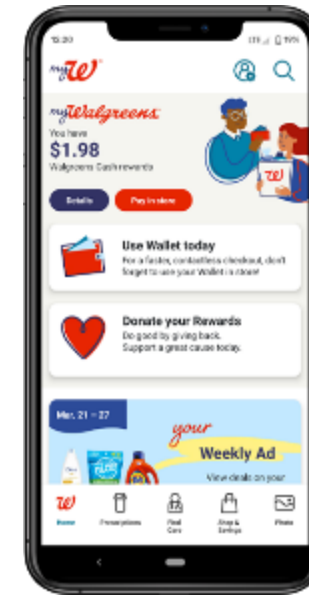
# United States initiatives

- Continue to play a key role on the front lines of the pandemic
  - >8m vaccinations administered to date; accelerating to >4m vaccines during March
  - 59k qualified healthcare associates administering vaccines
  - Test & Protect B2B service launched
- Modernizing pharmacy operating model; first iA automated location in Phoenix
- On-track to open 40 Village Medical at Walgreens locations by end of summer
  - 14 locations operational in Houston and Phoenix



# United States initiatives

- Find Care app reaching wide audience with ~70m visits in 2Q mostly driven by COVID-19
  - Non COVID-19 visits increased +92% vs. 1Q21
- myWalgreens membership up +41% vs. prior quarter to ~56m members to date
  - February NPS +41% higher than prior Balance Rewards loyalty program
- Retail pick-up contributing to strong digital growth with ~4m orders completed to date





Walgreens Boots Alliance

## Continued progress on strategic priorities

Accelerate  
digitalization of  
company

Transform and  
restructure retail  
offering

Create neighborhood  
health destinations

## Transformational Cost Management Program





- Unless otherwise noted, all prior year numbers have been recast for continuing operations. Refer to WBA's Current Report on Form 8-K filed on March 31, 2021.
- 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.
  - United States segment GAAP results, dollars in millions – 2Q21: gross profit \$5,702; selling general and administrative expenses \$4,954; SG&A as a percent of sales 18.1%; operating income \$828; and operating margin 2.7%. 1H21: gross profit \$11,341; selling general and administrative expenses \$9,723; SG&A as a percent of sales 17.8%; operating income \$324; and operating margin 3.0%.
  - International segment GAAP results on a reported currency basis, dollars in millions – 2Q21: operating income \$106; and operating margin 2.0%. In 2Q21 compared to prior year quarter, on a reported currency basis, the segment's sales increased 32.6%; operating income decreased 24.0%; and operating margin decreased 1.5 percentage points. 1H21: operating income \$145; and operating margin 1.5%. In 1H21 compared to prior year period, on a reported currency basis, the segment's sales increased 23.4%; operating income decreased 24.3%; and operating margin decreased 0.9 percentage points.
  - Adjusted gross margin is a non-GAAP financial measure defined as adjusted gross profit by business unit divided by sales by business unit. Adjusted gross profit is a non-GAAP financial measure defined as gross profit by business unit, excluding the impact of costs associated with Transformational cost management, LIFO provision, Store optimization and Acquisition-related costs. The company is providing comparative data relating to these non-GAAP financial measures to provide investors with additional perspective and insights when analyzing the core operating performance of the business units from period to period.
- Net earnings, net earnings per common share – diluted figures are attributable to Walgreens Boots Alliance, Inc.
- For our United States and International segment, comparable sales are defined as sales from stores that have been open for at least twelve consecutive months without closure for seven or more consecutive days, including due to looting or store damage, and without a major remodel or being subject to a natural disaster in the past twelve months as well as e-commerce sales. E-commerce sales include digitally initiated sales online or through mobile applications. Relocated stores are not included as comparable sales for the first twelve months after the relocation. Acquired stores are not included as comparable sales for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable sales, comparable pharmacy sales, comparable retail sales, comparable number of prescriptions and comparable number of 30-day equivalent prescriptions refer to total sales, pharmacy sales, retail sales, number of prescriptions and number of 30-day equivalent prescriptions, respectively. Comparable retail sales for previous periods have been restated to include e-commerce sales. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods. With respect to the International division, comparable sales, comparable pharmacy sales and comparable retail sales, are presented on a constant currency basis, which is a non-GAAP financial measure. Refer to the discussion above for further details on constant currency calculations.
- United States Pharmacy prescriptions (including immunizations) are reported on a 30-day equivalent basis.
- Prescription market share information is an estimate derived from the use of information under license from the following IQVIA information service: IQVIA Prescription Services as of February 28, 2021 and includes prescriptions filled at stores acquired from Rite Aid from and after the cutover date. IQVIA expressly reserves all rights, including rights of copying, distribution and republication.
- United States retail refill scripts initiated via digital channel is inclusive of prescriptions filled at Walgreens and Duane Reade.
- Boots UK market share insights, where quoted, as of February 20, 2021.
- Working capital includes changes in the following operating assets and liabilities: accounts receivable net; inventories; other current assets; trade accounts payable; and accrued expenses and other liabilities.
- Digitally initiated sales include online orders and mobile application purchases of retail products, photo and digital scripts, including Save a Trip refills.
- Store gross margin is defined as sales less the direct product costs (including an allocation for variable supply chain costs and promotional scanning allowances) divided by sales.



# Appendix

*The information on the following pages provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation 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 27 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 2021 guidance) where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the company’s control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.*

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

*Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and six months ended February 28, 2021.*

## **Certain assumptions and supplemental information**

*Unless otherwise indicated or the context otherwise requires:*

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

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



# Reconciliation of Non-GAAP financial measures

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

## NET EARNINGS

	Three months ended		Change vs. 2Q20		Six months ended		Change vs. 1H20	
	February 28, 2021	February 29, 2020	Amount	Percent	February 28, 2021	February 29, 2020	Amount	Percent
<b>Net earnings attributable to Walgreens Boots Alliance, Inc. - continuing operations (GAAP)</b>	\$ 922	\$ 867	\$ 54	6.3 %	\$ 531	\$ 1,636	\$ (1,105)	(67.5)%
<b>Adjustments to operating income:</b>								
Adjustments to equity earnings (loss) in AmerisourceBergen <sup>1</sup>	45	73			1,526	152		
Transformational cost management <sup>2</sup>	178	118			278	198		
Acquisition-related amortization <sup>3</sup>	114	98			209	197		
Certain legal and regulatory accruals and settlements <sup>4</sup>	60	—			60	—		
LIFO provision <sup>5</sup>	2	28			35	61		
Acquisition-related costs <sup>6</sup>	(5)	99			16	223		
Store optimization <sup>2</sup>	—	30			—	39		
<b>Total adjustments to operating income</b>	<b>393</b>	<b>445</b>			<b>2,124</b>	<b>869</b>		
<b>Adjustments to other income:</b>								
Net investment hedging (gain) loss <sup>7</sup>	(7)	7			1	(4)		
Gain on sale of equity method investment <sup>8</sup>	(191)	—			(191)	(1)		
<b>Total adjustments to other income</b>	<b>(199)</b>	<b>6</b>			<b>(190)</b>	<b>(5)</b>		
<b>Adjustments to income tax provision (benefit):</b>								
U.S. tax law changes <sup>9</sup>	—	—			—	(6)		
Tax impact of adjustments <sup>9</sup>	(52)	(90)			(113)	(170)		
Equity method non-cash tax <sup>9</sup>	20	1			(326)	(1)		
<b>Total adjustments to income tax provision (benefit)</b>	<b>(33)</b>	<b>(89)</b>			<b>(439)</b>	<b>(177)</b>		
<b>Adjustments to post tax equity earnings from other equity method investments:</b>								
Adjustments to equity earnings in other equity method investments <sup>10</sup>	24	15			37	43		
<b>Total adjustments to post tax equity earnings from other equity method investments</b>	<b>24</b>	<b>15</b>			<b>37</b>	<b>43</b>		
<b>Adjustments to net earnings (loss) attributable to noncontrolling interests:</b>								
Transformational cost management <sup>2</sup>	3	—			2	—		
LIFO provision <sup>5</sup>	(3)	—			(6)	—		
Acquisition-related amortization <sup>3</sup>	(12)	—			(16)	—		
<b>Total adjustments to net earnings (loss) attributable to noncontrolling interests</b>	<b>(13)</b>	<b>—</b>			<b>(20)</b>	<b>—</b>		
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. - continuing operations (Non-GAAP measure)</b>	<b>\$ 1,095</b>	<b>\$ 1,246</b>	<b>\$ (151)</b>	<b>(12.1)%</b>	<b>\$ 2,043</b>	<b>\$ 2,367</b>	<b>\$ (324)</b>	<b>(13.7)%</b>





# Reconciliation of Non-GAAP financial measures

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

## NET EARNINGS

	Three months ended		Change vs. 2Q20		Six months ended		Change vs. 1H20	
	February 28, 2021	February 29, 2020	Amount	Percent	February 28, 2021	February 29, 2020	Amount	Percent
<b>Net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations (GAAP)</b>	\$ 104	\$ 79	\$ 25	31.9 %	\$ 187	\$ 155	\$ 32	20.8 %
Acquisition-related amortization <sup>3</sup>	7	19			28	38		
Acquisition-related costs <sup>6</sup>	8	—			10	—		
Transformational cost management <sup>2</sup>	4	5			9	11		
Tax impact of adjustments <sup>9</sup>	(6)	(7)			(11)	(7)		
<b>Total adjustments to net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations</b>	\$ 14	\$ 17			\$ 36	\$ 42		
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations (Non-GAAP measure)</b>	\$ 119	\$ 97	\$ 22	23.0 %	\$ 223	\$ 198	\$ 26	13.1 %
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. - (Non-GAAP measure)</b>	\$ 1,214	\$ 1,343	\$ (129)	(9.6)%	\$ 2,266	\$ 2,565	\$ (299)	(11.6)%



# Reconciliation of Non-GAAP financial measures

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

## DILUTED NET EARNINGS (LOSS) PER SHARE

	Three months ended		Change vs. 2Q20		Six months ended		Change vs. 1H20	
	February 28, 2021	February 29, 2020	Amount	Percent	February 28, 2021	February 29, 2020	Amount	Percent
<b>Diluted net earnings per common share - continuing operations (GAAP)</b>	\$ 1.06	\$ 0.98	\$ 0.09	8.7 %	\$ 0.61	\$ 1.84	\$ (0.78)	(66.7)%
Adjustments to operating income	0.45	0.50			2.45	0.98		
Adjustments to other income	(0.23)	0.01			(0.22)	(0.01)		
Adjustments to income tax provision (benefit)	(0.04)	(0.10)			(0.51)	(0.20)		
Adjustments to equity earnings in other equity method investments <sup>10</sup>	0.03	0.02			0.04	0.05		
Adjustments to net earnings (loss) attributable to noncontrolling interests	(0.01)	—			(0.02)	—		
<b>Adjusted diluted net earnings per common share - continuing operations (Non-GAAP measure)</b>	<b>\$ 1.26</b>	<b>\$ 1.41</b>	<b>\$ (0.14)</b>	<b>(10.1)%</b>	<b>\$ 2.36</b>	<b>\$ 2.66</b>	<b>\$ (0.30)</b>	<b>(11.4)%</b>
<b>Diluted net earnings per common share - discontinued operations (GAAP)</b>	<b>0.12</b>	<b>0.09</b>	<b>\$ 0.03</b>	<b>35.0 %</b>	<b>0.22</b>	<b>0.17</b>	<b>\$ 0.04</b>	<b>24.1 %</b>
Total adjustments to net earnings (loss) attributable to Walgreens Boots Alliance, Inc. – discontinued operations	0.02	0.02			0.04	0.05		
<b>Adjusted diluted net earnings per common share - discontinued operations (Non-GAAP measure)</b>	<b>\$ 0.14</b>	<b>\$ 0.11</b>	<b>\$ 0.03</b>	<b>25.9 %</b>	<b>\$ 0.26</b>	<b>\$ 0.22</b>	<b>\$ 0.04</b>	<b>16.1 %</b>
<b>Adjusted diluted net earnings per common share (Non-GAAP measure)</b>	<b>\$ 1.40</b>	<b>\$ 1.52</b>	<b>\$ (0.11)</b>	<b>(7.5)%</b>	<b>\$ 2.62</b>	<b>\$ 2.88</b>	<b>\$ (0.27)</b>	<b>(9.3)%</b>
Weighted average common shares outstanding, diluted (in millions)	865.6	885.5			865.7	889.1		



# Reconciliation of Non-GAAP financial measures

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

- <sup>1</sup> Adjustments to equity earnings (loss) in AmerisourceBergen consist of the Company's proportionate share of non-GAAP adjustments reported by AmerisourceBergen consistent with the Company's non-GAAP measures. The Company recognized equity losses in AmerisourceBergen of \$1,373 million during the three months ended November 30, 2020. These equity losses are primarily due to AmerisourceBergen recognition of \$5.6 billion, net of tax, charges related to its ongoing opioid litigation in its financial statements for the three months period ended September 30, 2020.
- <sup>2</sup> Transformational Cost Management Program and Store Optimization Program charges are costs associated with a formal restructuring plan. These charges are primarily recorded within selling, general and administrative expenses. These costs do not reflect current operating performance and are impacted by the timing of restructuring activity.
- <sup>3</sup> Acquisition-related amortization includes amortization of acquisition-related intangible assets and inventory valuation adjustments. Amortization of acquisition-related intangible assets includes amortization of intangibles assets such as customer relationships, trade names, trademarks and contract intangibles. Intangible asset amortization excluded from the related non-GAAP measure represents the entire amount recorded within the company's GAAP financial statements, the revenue generated by the associated intangible assets has not been excluded from the related non-GAAP measures. Amortization expense, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised. These charges are primarily recorded within selling, general and administrative expenses. Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of the inventory reflects cost of acquired inventory and a portion of the expected profit margin. The acquisition-related inventory valuation adjustments excludes the expected profit margin component from cost of sales recorded under the business combination accounting principles.
- <sup>4</sup> Certain legal and regulatory accruals and settlements relate to significant charges associated with certain legal proceedings. 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.
- <sup>5</sup> The company's United States 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 United States segment inventory is accounted for using first-in first-out ("FIFO") method. The LIFO provision is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences. Therefore, the company cannot control the amounts recognized or timing of these items.
- <sup>6</sup> Acquisition-related costs are transaction and integration costs associated with certain merger, acquisition and divestitures related activities. These costs include all charges incurred on certain mergers, acquisition and divestitures related activities, for example, including costs related to integration efforts for successful merger, acquisition and divestitures activities. These charges are primarily recorded within selling, general and administrative expenses. These costs are significantly impacted by the timing and complexity of the underlying merger, acquisition and divestitures related activities and do not reflect the company's current operating performance.
- <sup>7</sup> Gain or loss on certain derivative instruments used as economic hedges of the company's net investments in foreign subsidiaries. These charges are recorded within other income (expense). We do not believe this volatility related to mark-to-market adjustment on the underlying derivative instruments reflects the company's operational performance.
- <sup>8</sup> Includes significant gain on sale of equity method investment. During the three months ended February 28, 2021, the Company recorded a gain of \$191 million in Other income due to a partial sale of its equity method investment in Option Care Health.
- <sup>9</sup> Adjustments to income tax provision include adjustments to the GAAP basis tax provision commensurate with non-GAAP adjustments and certain discrete tax items including U.S. tax law changes and equity method non-cash tax. These charges are recorded within income tax provision (benefit).
- <sup>10</sup> Adjustments to post tax equity earnings from other equity method investments consist of the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the company's non-GAAP adjustments. These charges are recorded within post tax earnings (loss) from other equity method investments. Although the company may have shareholder rights and board representation commensurate with its ownership interests in these equity method investees, adjustments relating to equity method investments are not intended to imply that the company has direct control over their operations and resulting revenue and expenses. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all revenue and expenses of these equity method investees.



# Reconciliation of Non-GAAP financial measures

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

	Three months ended February 28, 2021			
	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 27,344	\$ 5,425	\$ 10	\$ 32,779
<b>Gross profit (GAAP)</b>	<b>\$ 5,702</b>	<b>\$ 1,079</b>	<b>\$ —</b>	<b>\$ 6,781</b>
Transformational cost management	1	(1)	—	—
LIFO provision	2	—	—	2
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 5,704</b>	<b>\$ 1,078</b>	<b>\$ —</b>	<b>\$ 6,783</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,954</b>	<b>\$ 973</b>	<b>\$ 102</b>	<b>\$ 6,029</b>
Transformational cost management	(140)	(21)	(17)	(178)
Acquisition-related amortization	(96)	(17)	—	(114)
Certain legal and regulatory accruals and settlements	(60)	—	—	(60)
Acquisition-related costs	9	(2)	(2)	5
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,667</b>	<b>\$ 933</b>	<b>\$ 83</b>	<b>\$ 5,683</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 828</b>	<b>\$ 106</b>	<b>\$ (102)</b>	<b>\$ 832</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	45	—	—	45
Transformational cost management	140	21	17	178
Acquisition-related amortization	96	17	—	114
Certain legal and regulatory accruals and settlements	60	—	—	60
LIFO provision	2	—	—	2
Acquisition-related costs	(9)	2	2	(5)
<b>Adjusted operating income (loss) (Non-GAAP measure)</b>	<b>\$ 1,163</b>	<b>\$ 146</b>	<b>\$ (83)</b>	<b>\$ 1,225</b>
Gross margin (GAAP)	20.9 %	19.9 %		20.7 %
Adjusted gross margin (Non-GAAP measure)	20.9 %	19.9 %		20.7 %
Selling, general and administrative expenses percent to sales (GAAP)	18.1 %	17.9 %		18.4 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.1 %	17.2 %		17.3 %
Operating margin <sup>2</sup>	2.7 %	2.0 %		2.3 %
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	3.8 %	2.7 %		3.4 %

<sup>1</sup> Operating income (loss) for United States includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three and six month period ended February 28, 2021 includes AmerisourceBergen equity earnings (loss) for the period of October 1, 2020 through December 31, 2020 and the period of July 1, 2020 through December 31, 2020, respectively. Operating income for the three and six month period ended February 29, 2020 includes AmerisourceBergen equity earnings for the period of October 1, 2019 through December 31, 2019, and the period of July 1, 2019 through December 31, 2019, respectively.

<sup>2</sup> 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)

	Three months ended February 29, 2020			
	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 27,245	\$ 4,091	\$ —	\$ 31,336
<b>Gross profit (GAAP)</b>	<b>\$ 5,827</b>	<b>\$ 1,188</b>	<b>\$ 3</b>	<b>\$ 7,017</b>
Transformational cost management	3	—	—	3
LIFO provision	28	—	—	28
Acquisition-related costs	32	—	—	32
Store optimization	1	—	—	1
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 5,890</b>	<b>\$ 1,188</b>	<b>\$ 3</b>	<b>\$ 7,081</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,796</b>	<b>\$ 1,048</b>	<b>\$ 65</b>	<b>\$ 5,909</b>
Transformational cost management	(53)	(44)	(18)	(115)
Acquisition-related amortization	(79)	(19)	—	(98)
Acquisition-related costs	(66)	—	(1)	(67)
Store optimization	(29)	—	—	(29)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,569</b>	<b>\$ 985</b>	<b>\$ 45</b>	<b>\$ 5,600</b>
<b>Operating income (GAAP)</b>	<b>\$ 1,059</b>	<b>\$ 140</b>	<b>\$ (62)</b>	<b>\$ 1,136</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	73	—	—	73
Transformational cost management	56	44	18	118
Acquisition-related amortization	79	19	—	98
LIFO provision	28	—	—	28
Acquisition-related costs	98	—	1	99
Store optimization	30	—	—	30
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 1,422</b>	<b>\$ 203</b>	<b>\$ (43)</b>	<b>\$ 1,582</b>
Gross margin (GAAP)	21.4 %	29.0 %		22.4 %
Adjusted gross margin (Non-GAAP measure)	21.6 %	29.0 %		22.6 %
Selling, general and administrative expenses percent to sales (GAAP)	17.6 %	25.6 %		18.9 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	16.8 %	24.1 %		17.9 %
Operating margin <sup>2</sup>	3.8 %	3.4 %		3.5 %
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	4.8 %	5.0 %		4.7 %

<sup>1</sup> Operating income (loss) for United States includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three and six month period ended February 28, 2021 includes AmerisourceBergen equity earnings (loss) for the period of October 1, 2020 through December 31, 2020 and the period of July 1, 2020 through December 31, 2020, respectively. Operating income for the three and six month period ended February 29, 2020 includes AmerisourceBergen equity earnings for the period of October 1, 2019 through December 31, 2019, and the period of July 1, 2019 through December 31, 2019, respectively.

<sup>2</sup> 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)

	Six months ended February 28, 2021			
	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 54,507	\$ 9,709	\$ —	\$ 64,217
<b>Gross profit (GAAP)</b>	<b>\$ 11,341</b>	<b>\$ 2,069</b>	<b>\$ 1</b>	<b>\$ 13,411</b>
Transformational cost management	—	(1)	—	—
LIFO provision	35	—	—	35
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 11,375</b>	<b>\$ 2,069</b>	<b>\$ 1</b>	<b>\$ 13,445</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 9,723</b>	<b>\$ 1,925</b>	<b>\$ 172</b>	<b>\$ 11,820</b>
Transformational cost management	(201)	(48)	(29)	(278)
Certain legal and regulatory accruals and settlements	(60)	—	—	(60)
Acquisition-related amortization	(173)	(36)	—	(209)
Acquisition-related costs	1	(4)	(13)	(16)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 9,291</b>	<b>\$ 1,837</b>	<b>\$ 129</b>	<b>\$ 11,257</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 324</b>	<b>\$ 145</b>	<b>\$ (172)</b>	<b>\$ 298</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	1,526	—	—	1,526
Transformational cost management	201	47	29	278
Acquisition-related amortization	173	36	—	209
Certain legal and regulatory accruals and settlements	60	—	—	60
LIFO provision	35	—	—	35
Acquisition-related costs	(1)	4	13	16
<b>Adjusted operating income (loss) (Non-GAAP measure)</b>	<b>\$ 2,318</b>	<b>\$ 232</b>	<b>\$ (129)</b>	<b>\$ 2,422</b>
Gross margin (GAAP)	20.8 %	21.3 %		20.9 %
Adjusted gross margin (Non-GAAP measure)	20.9 %	21.3 %		20.9 %
Selling, general and administrative expenses percent to sales (GAAP)	17.8 %	19.8 %		18.4 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.0 %	18.9 %		17.5 %
Operating margin <sup>2</sup>	3.0 %	1.5 %		2.5 %
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	3.8 %	2.4 %		3.4 %

<sup>1</sup> Operating income (loss) for United States includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three and six month period ended February 28, 2021 includes AmerisourceBergen equity earnings (loss) for the period of October 1, 2020 through December 31, 2020 and the period of July 1, 2020 through December 31, 2020, respectively. Operating income for the three and six month period ended February 29, 2020 includes AmerisourceBergen equity earnings for the period of October 1, 2019 through December 31, 2019, and the period of July 1, 2019 through December 31, 2019, respectively.

<sup>2</sup> 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)

	Six months ended February 29, 2020			
	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 53,377	\$ 7,870	\$ —	\$ 61,247
<b>Gross profit (GAAP)</b>	<b>\$ 11,541</b>	<b>\$ 2,252</b>	<b>\$ 2</b>	<b>\$ 13,794</b>
Transformational cost management	3	3	—	6
LIFO provision	61	—	—	61
Acquisition-related costs	60	—	—	60
Store optimization	1	—	—	1
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 11,666</b>	<b>\$ 2,254</b>	<b>\$ 2</b>	<b>\$ 13,922</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 9,605</b>	<b>\$ 2,060</b>	<b>\$ 113</b>	<b>\$ 11,778</b>
Transformational cost management	(118)	(54)	(20)	(192)
Acquisition-related amortization	(156)	(41)	—	(197)
Acquisition-related costs	(160)	(1)	(2)	(163)
Store optimization	(38)	—	—	(38)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 9,134</b>	<b>\$ 1,964</b>	<b>\$ 91</b>	<b>\$ 11,189</b>
<b>Operating income (GAAP)</b>	<b>\$ 1,977</b>	<b>\$ 191</b>	<b>\$ (111)</b>	<b>\$ 2,057</b>
Transformational cost management	121	57	20	198
Acquisition-related amortization	156	41	—	197
LIFO provision	61	—	—	61
Acquisition-related costs	220	1	2	223
Store optimization	39	—	—	39
Adjustments to equity earnings (loss) in AmerisourceBergen	152	—	—	152
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 2,725</b>	<b>\$ 290</b>	<b>\$ (89)</b>	<b>\$ 2,926</b>
Gross margin (GAAP)	21.6 %	28.6 %		22.5 %
Adjusted gross margin (Non-GAAP measure)	21.9 %	28.6 %		22.7 %
Selling, general and administrative expenses percent to sales (GAAP)	18.0 %	26.2 %		19.2 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.1 %	25.0 %		18.3 %
Operating margin <sup>2</sup>	3.6 %	2.4 %		3.3 %
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	4.7 %	3.7 %		4.5 %

<sup>1</sup> Operating income (loss) for United States includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three and six month period ended February 28, 2021 includes AmerisourceBergen equity earnings (loss) for the period of October 1, 2020 through December 31, 2020 and the period of July 1, 2020 through December 31, 2020, respectively. Operating income for the three and six month period ended February 29, 2020 includes AmerisourceBergen equity earnings for the period of October 1, 2019 through December 31, 2019, and the period of July 1, 2019 through December 31, 2019, respectively.

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



# Reconciliation of Non-GAAP financial measures

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

## EQUITY EARNINGS (LOSS) IN AMERISOURCEBERGEN

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
<b>Equity earnings in AmerisourceBergen (GAAP)</b>	\$ 80	\$ 28	\$ (1,293)	\$ 41
Litigation settlements and other	16	8	1,564	44
Acquisition-related amortization	30	31	60	61
New York State Opioid Stewardship Act	—	—	3	—
Asset Impairment	—	29	3	29
Certain discrete tax benefits	(6)	—	—	—
PharMEDium remediation costs	—	3	—	6
Anti-Trust	—	(2)	—	(2)
LIFO provision	(6)	3	(13)	14
Tax reform	11	—	(90)	—
<b>Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 125</b>	<b>\$ 101</b>	<b>\$ 234</b>	<b>\$ 193</b>





# Reconciliation of Non-GAAP financial measures

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

## ADJUSTED EFFECTIVE TAX RATE

	Three months ended February 28, 2021			Three months ended February 29, 2020		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
<b>Effective tax rate (GAAP)</b>	\$ 946	\$ 42	4.4%	\$ 1,008	\$ 149	14.8%
Impact of non-GAAP adjustments	194	31		452	84	
Equity method non-cash tax	—	(20)		—	(1)	
Adjusted tax rate true-up	—	21		—	6	
U.S. tax law changes	—	—		—	—	
<b>Subtotal</b>	\$ 1,141	\$ 75		\$ 1,460	\$ 238	
Exclude adjusted equity earnings in AmerisourceBergen	(125)	—		(101)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	\$ 1,015	\$ 75	7.3%	\$ 1,359	\$ 238	17.5%

	Six months ended February 28, 2021			Six months ended February 29, 2020		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
<b>Effective tax rate (GAAP)</b>	\$ 339	\$ (165)	(48.6)%	\$ 1,806	\$ 172	9.5%
Impact of non-GAAP adjustments	1,934	86		864	163	
Equity method non-cash tax	—	326		—	1	
Adjusted tax rate true-up	—	28		—	7	
U.S. tax law changes	—	—		—	6	
<b>Subtotal</b>	\$ 2,273	\$ 275		\$ 2,670	\$ 349	
Exclude adjusted equity earnings in AmerisourceBergen	(234)	—		(193)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	\$ 2,040	\$ 275	13.5%	\$ 2,477	\$ 349	14.1%



# Reconciliation of Non-GAAP financial measures

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

## FREE CASH FLOW

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Net cash provided by operating activities (GAAP)	\$ 1,361	\$ 1,423	\$ 2,556	\$ 2,484
Less: Additions to property, plant and equipment - as reported	(261)	(318)	(692)	(705)
<b>Free cash flow - (Non-GAAP measure)<sup>1</sup></b>	<b>\$ 1,100</b>	<b>\$ 1,105</b>	<b>\$ 1,864</b>	<b>\$ 1,779</b>

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



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

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

Percent increase (decrease)	Three months ended November 30, 2019			Three months ended February 29, 2020			Three months ended May 31, 2020			Three months ended August 31, 2020			Twelve months ended August 31, 2020		
	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage
<b>United States</b>															
Comparable sales <sup>2</sup>	1.6	0.0	1.6	2.7	0.0	2.7	3.0	0.1	3.1	3.6	0.1	3.7	2.8	0.0	2.8
Comparable retail sales	(0.5)	0.1	(0.5)	0.6	(0.1)	0.5	1.9	0.2	2.1	4.7	0.3	5.0	1.6	0.1	1.7
<b>International<sup>3</sup></b>															
Comparable sales - in constant currency <sup>2</sup>	(1.7)	0.1	(1.5)	(2.3)	0.2	(2.2)	(25.2)	2.3	(22.8)	(14.8)	4.2	(10.6)	(10.4)	1.6	(8.8)
Comparable retail sales - in constant currency	(3.0)	0.4	(2.6)	(4.3)	0.5	(3.8)	(41.8)	5.7	(36.1)	(25.5)	8.0	(17.5)	(17.2)	3.4	(13.9)
<b>Boots UK</b>															
Comparable retail sales - in constant currency	(2.9)	0.6	(2.3)	(4.6)	1.0	(3.6)	(48.0)	9.3	(38.7)	(29.2)	11.8	(17.5)	(19.1)	5.1	(14.1)

<sup>1</sup> Comparable sales methodology change to include e-commerce sales beginning of November 30, 2020. E-commerce sales include digitally initiated sales online or through mobile applications.

<sup>2</sup> Previously reported as "Comparable store sales" and "Comparable store sales - in constant currency"

<sup>3</sup> International excludes discontinued operations and Germany wholesale.



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

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

Percent increase (decrease)	Three months ended November 30, 2018			Three months ended February 28, 2019			Three months ended May 31, 2019			Three months ended August 31, 2019			Twelve months ended August 31, 2019		
	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage
<b>United States</b>															
Comparable sales <sup>2</sup>	1.0	0.0	0.9	0.0	0.0	0.0	3.8	0.0	3.7	3.4	0.0	3.4	2.0	0.0	2.0
Comparable retail sales	(3.2)	0.0	(3.2)	(3.8)	0.0	(3.8)	(1.1)	0.0	(1.1)	(1.2)	(0.1)	(1.3)	(2.4)	0.0	(2.4)
<b>International<sup>3</sup></b>															
Comparable sales - in constant currency <sup>2</sup>	(2.6)	0.2	(2.4)	(1.4)	0.1	(1.3)	(1.0)	0.2	(0.8)	(2.0)	0.1	(1.9)	(1.7)	0.1	(1.6)
Comparable retail sales - in constant currency	(2.4)	0.4	(2.0)	(1.7)	0.2	(1.5)	(2.3)	0.3	(2.0)	(2.7)	0.2	(2.4)	(2.2)	0.2	(2.0)
<b>Boots UK</b>															
Comparable retail sales - in constant currency	(2.6)	0.5	(2.2)	(2.3)	0.3	(2.0)	(2.6)	0.5	(2.1)	(3.1)	0.4	(2.7)	(2.6)	0.4	(2.2)

<sup>1</sup> Comparable sales methodology change to include e-commerce sales beginning of November 30, 2020. E-commerce sales include digitally initiated sales online or through mobile applications.

<sup>2</sup> Previously reported as "Comparable store sales" and "Comparable store sales - in constant currency"

<sup>3</sup> International excludes discontinued operations and Germany wholesale.

