



# Walgreens Boots Alliance

## Fourth Quarter and Fiscal 2018 Results

October 11, 2018

# Safe harbor and non-GAAP

**Cautionary Note Regarding Forward-Looking Statements:** All statements in these materials and the related presentation that are not historical including, without limitation, estimates of and goals for future tax, financial and operating performance and results, as well as forward-looking statements concerning the expected execution and effect of our business strategies, our cost-savings and growth initiatives, pilot programs and initiatives, and restructuring activities and the amounts and timing of their expected impact, and our amended and restated asset purchase agreement with Rite Aid and the transactions contemplated thereby and their possible timing and effects, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements in the future tense and all statements accompanied by words such as “expect,” “likely,” “outlook,” “forecast,” “preliminary,” “pilot,” “would,” “could,” “should,” “can,” “will,” “project,” “intend,” “plan,” “goal,” “guidance,” “target,” “aim,” “continue,” “sustain,” “synergy,” “on track,” “on schedule,” “headwind,” “tailwind,” “believe,” “seek,” “estimate,” “anticipate,” “upcoming,” “to come,” “may,” “possible,” “assume,” and variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, known or unknown, that could cause actual results to vary materially from those indicated or anticipated, including, but not limited to, those relating to the impact of private and public third-party payers’ efforts to reduce prescription drug reimbursements, fluctuations in foreign currency exchange rates, the timing and magnitude of the impact of branded to generic drug conversions and changes in generic drug prices, our ability to realize synergies and achieve financial, tax and operating results in the amounts and at the times anticipated, the arrangements and transactions contemplated by our agreements with AmerisourceBergen and their possible effects, the occurrence of any event, change or other circumstance that could give rise to the termination, cross-termination or modification of any of our contractual obligations, whether the costs and charges associated with our store optimization program will exceed estimates, our ability to realize expected savings and benefits from cost-savings initiatives, restructuring activities and acquisitions and joint ventures in the amounts and at the times anticipated, the timing and amount of any impairment or other charges, the timing and severity of cough, cold and flu season, risks related to pilot programs and new business initiatives and ventures generally, including the risks that anticipated benefits may not be realized, changes in management’s plans and assumptions, changes in economic and business conditions generally or in particular markets in which we participate, changes in financial markets, credit ratings and interest rates, the risks relating to the terms, timing, and magnitude of any share repurchase activity, the risks associated with international business operations, including the risks associated with the proposed withdrawal of the United Kingdom from the European Union, the risk of unexpected costs, liabilities or delays, changes in vendor, customer and payer relationships and terms, including changes in network participation and reimbursement terms and the associated impacts on volume and operating results, risks of inflation, risks related to competition, risks associated with new business areas and activities, risks associated with acquisitions, divestitures, joint ventures and strategic investments, including those relating to the acquisition of certain assets pursuant to our amended and restated asset purchase agreement with Rite Aid, the risks associated with the integration of complex businesses, outcomes of legal and regulatory matters, and risks associated with changes in laws, including those related to the December 2017 U.S. tax law changes, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described in Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended August 31, 2017 and our Form 10-Q for the fiscal quarter ended November 30, 2017, each of which is incorporated herein by reference, and in other documents that we file or furnish with the SEC. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date of this presentation.

**Non-GAAP Financial Measures:** Today’s presentation includes certain non-GAAP financial measures, and we refer you to the footnotes beginning on page 18 and the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable U.S. GAAP financial measures and related information.



# Overview



Walgreens Boots Alliance

- ✓ **Solid financial results in 4Q and FY18**
- ✓ **Strong FY18 adjusted EPS<sup>1,2</sup> growth – up 18%**  
- mid teens compound annual growth in adjusted EPS<sup>1,2</sup> since company's inception
- ✓ **Continued to grow U.S. pharmacy market share versus prior year**
- ✓ **Rite Aid integration progressing well<sup>3</sup>**
- ✓ **Continued development of strategic partnerships<sup>3</sup>**



# 4Q & FY18 financial highlights



Walgreens Boots Alliance

- **GAAP EPS<sup>2</sup>: 4Q up 103.9% to \$1.55 and FY18 up 33.6% to \$5.05**
- **Adjusted EPS<sup>1,2</sup>:**
  - 4Q up 13.0% to \$1.48 and FY18 up 18.0% to \$6.02
  - continued reimbursement pressure partially offset through cost management and procurement savings
- **FY18 sales up 11.3% and increased 10.0% on a constant currency basis<sup>4</sup>**
  - sequential improvement in U.S. comp. store sales in pharmacy & retail<sup>5</sup>
  - organic sales<sup>1,6</sup> up 3.2% in constant currency<sup>4</sup>
- **Strong cash generation – FY18 free cash flow<sup>1</sup> increased 16.9% to \$6.9 billion**
- **Returned \$6.8 billion to shareholders in FY18**
  - \$5.2 billion in share repurchases and \$1.6 billion in dividends



# Fiscal year financial highlights



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		\$ in millions (except EPS & % change)		
		FY18	Reported currency Δ vs. FY17	Constant currency <sup>4</sup> Δ vs. FY17
<b>Sales</b>		<b>\$131,537</b>	<b>+ 11.3%</b>	<b>+ 10.0%</b>
<b>Operating income:</b>	<b>GAAP</b>	<b>\$6,414</b>	<b>+ 15.4%</b>	
	<b>Adjusted<sup>1</sup></b>	<b>\$7,804</b>	<b>+ 3.5%</b>	<b>+ 2.9%</b>
<b>Net earnings<sup>2</sup>:</b>	<b>GAAP</b>	<b>\$5,024</b>	<b>+ 23.2%</b>	
	<b>Adjusted<sup>1</sup></b>	<b>\$5,985</b>	<b>+ 8.8%</b>	<b>+ 8.0%</b>
<b>EPS<sup>2</sup>:</b>	<b>GAAP</b>	<b>\$5.05</b>	<b>+ 33.6%</b>	
	<b>Adjusted<sup>1</sup></b>	<b>\$6.02</b>	<b>+ 18.0%</b>	<b>+ 17.1%</b>



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# 4Q financial highlights



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		\$ in millions (except EPS & % change)		
		4Q18	Reported currency Δ vs. 4Q17	Constant currency <sup>4</sup> Δ vs. 4Q17
<b>Sales</b>		<b>\$33,442</b>	<b>+ 10.9%</b>	<b>+ 11.3%</b>
<b>Operating income:</b>	<b>GAAP</b>	<b>\$1,511</b>	<b>+ 35.6%</b>	
	<b>Adjusted<sup>1</sup></b>	<b>\$1,885</b>	<b>+ 0.1%</b>	<b>+ 0.3%</b>
<b>Net earnings<sup>2</sup>:</b>	<b>GAAP</b>	<b>\$1,512</b>	<b>+ 88.5%</b>	
	<b>Adjusted<sup>1</sup></b>	<b>\$1,447</b>	<b>+ 4.5%</b>	<b>+ 4.5%</b>
<b>EPS<sup>2</sup>:</b>	<b>GAAP</b>	<b>\$1.55</b>	<b>+ 103.9%</b>	
	<b>Adjusted<sup>1</sup></b>	<b>\$1.48</b>	<b>+ 13.0%</b>	<b>+ 13.0%</b>



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# Retail Pharmacy USA – financials



<b>\$ in millions (except %)</b>	<b>4Q18</b>	<b>Δ vs. 4Q17</b>	<b>FY18</b>	<b>Δ vs. FY17</b>
<b>Sales</b>	<b>\$25,508</b>	<b>+ 14.4%</b>	<b>\$98,392</b>	<b>+ 12.7%</b>
<b>Adj. gross profit<sup>1,7</sup></b>	<b>\$5,775</b>	<b>+ 2.8%</b>	<b>\$23,896</b>	<b>+ 5.2%</b>
<b>Adj. SG&amp;A % of sales<sup>1,7</sup></b>	<b>17.1%</b>	<b>- 1.8%p</b>	<b>18.3%</b>	<b>- 1.2%p</b>
<b>Adj. operating margin<sup>1,7</sup></b>	<b>5.5%</b>	<b>- 0.8%p</b>	<b>6.0%</b>	<b>- 0.5%p</b>
<b>Adj. operating income<sup>1,7</sup></b>	<b>\$1,405</b>	<b>+ 0.1%</b>	<b>\$5,923</b>	<b>+ 3.8%</b>



# Retail Pharmacy USA – pharmacy



4Q18 vs. 4Q17   FY18 vs. FY17	4Q Total	4Q Comparable <sup>5</sup>	FY Total	FY Comparable <sup>5</sup>
Pharmacy sales	+ 16.7%	+ 1.3%	+ 17.2%	+ 3.4%
Prescriptions <sup>8</sup>	+ 11.8%	+ 1.3%	+ 10.6%	+ 3.5%

- 4Q market share 22.3%<sup>9</sup>: up 180 bps
- Sequential improvement in comp. prescription growth<sup>5,8</sup>
- 4Q gross margin reflects continued shift to specialty & ongoing reimbursement pressure including unfavorable timing impacts





# Retail Pharmacy USA – retail



4Q18 vs. 4Q17   FY18 vs. FY17	Δ vs. 4Q17	Δ vs. FY17
Total retail sales	+ 8.3%	+ 2.4%
Comp. retail sales <sup>5</sup>	- 1.9%	- 2.4%

- Sequential improvement in comp. retail sales<sup>5</sup>
- Sales held back 200 bps by promo optimization & de-emphasis of select products
- 4Q and FY comp. sales<sup>5</sup> growth in Health & Wellness and Beauty categories - benefitting from investments in top stores
- Sales & gross margin in Beauty Differentiation stores continued to outperform
- FY gross margin expansion of 170 bps excluding Rite Aid



# Retail Pharmacy International – financials



\$ in millions (except %)	Constant currency <sup>4</sup>		Constant currency <sup>4</sup>	
	4Q18	Δ vs. 4Q17	FY18	Δ vs. FY17
<b>Sales<sup>10</sup></b>	<b>\$2,886</b>	<b>- 2.7%</b>	<b>\$12,281</b>	<b>- 2.1%</b>
<b>Comp. pharmacy sales<sup>5,10</sup></b>		<b>- 3.4%</b>		<b>- 1.2%</b>
<b>Comp. retail sales<sup>5,10</sup></b>		<b>- 0.9%</b>		<b>- 1.5%</b>
<b>Adj. operating margin<sup>1,10</sup></b>	<b>9.0%</b>	<b>-</b>	<b>7.7%</b>	<b>-</b>
<b>Adj. operating income<sup>1,10</sup></b>	<b>\$259</b>	<b>- 2.3%</b>	<b>\$947</b>	<b>- 2.2%</b>



# Pharmaceutical Wholesale – financials



\$ in millions (except %)	4Q18	Constant currency <sup>4</sup> Δ vs. 4Q17	FY18	Constant currency <sup>4</sup> Δ vs. FY17
<b>Sales<sup>11</sup></b>	<b>\$5,568</b>	<b>+ 4.7%</b>	<b>\$23,006</b>	<b>+ 4.2%</b>
<b>Comp. sales<sup>11,12</sup></b>		<b>+ 4.7%</b>		<b>+ 4.2%</b>
<b>Adj. operating margin<sup>1,11,13</sup></b>	<b>2.4%</b>	<b>- 0.1%p</b>	<b>2.5%</b>	<b>- 0.2%p</b>
<b>Adj. operating income<sup>1,11,13</sup></b>	<b>\$222</b>	<b>+ 2.7%</b>	<b>\$934</b>	<b>+ 0.5%</b>



# Rite Aid update<sup>3</sup>



- Integration of Rite Aid stores progressing well<sup>3</sup>
- Prescription volume retention ahead of plan<sup>3</sup>
- Store optimization: 458 stores in FY18
- Integration and rebranding progressing with pilots ongoing<sup>3</sup>
- Anticipate total benefit of store optimization & synergies will exceed \$650 million per annum – ahead of planned \$600 million<sup>3</sup>
- Overall integration & store optimization costs in line with expectations<sup>3</sup>



# Cash flow



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<b>\$ in millions (except %)</b>	<b>4Q18</b>	<b>Δ vs. 4Q17</b>	<b>FY18</b>	<b>Δ vs. FY17</b>
<b>Operating cash flow</b>	<b>\$2,880</b>	<b>+ \$866</b>	<b>\$8,265</b>	<b>+ \$1,014</b>
<b>Cash capital expenditure</b>	<b>\$384</b>	<b>+ \$55</b>	<b>\$1,367</b>	<b>- \$16</b>
<b>Free cash flow<sup>1</sup></b>	<b>\$2,496</b>	<b>+ \$921</b>	<b>\$6,898</b>	<b>+ \$998</b>

- **Free cash flow<sup>1</sup> increased by 16.9% to \$6.9 billion**
- **Working capital<sup>14</sup> delivered \$1.5 billion of cash flow – reflecting acquisition of Rite Aid stores and improved cash conversion cycle**



# Fiscal year 2019 guidance<sup>3</sup>



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**Adjusted EPS growth 7% - 12% (constant currency)<sup>1,2,3,4</sup>**

- **Currency assumptions - adverse impact of approx. \$0.04<sup>3</sup>**
- **Adjusted EPS guidance range: \$6.40 - \$6.70<sup>1,2,3</sup>**



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# Key FY19 assumptions<sup>3</sup>



- **Adj. effective tax rate<sup>1,3,15</sup>** **~18% - 19%**
- **Select store & labor investments<sup>3</sup>** **~\$150 million**
- **Share repurchases (excluding anti-dilutive)<sup>3</sup>** **~\$3.0 billion**
- **Strategic cost management initiatives embedded in guidance<sup>3</sup>**

<i>Exchange rates (FY19 rates as of September)</i>	<b>FY18</b>	<b>FY19<sup>3</sup></b>
<b>- GBP/USD</b>	<b>1.34</b>	<b>1.31</b>
<b>- EUR/USD</b>	<b>1.19</b>	<b>1.16</b>
<b>- TRY/USD</b>	<b>0.25</b>	<b>0.17</b>



# Key initiatives<sup>3</sup>



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- **Robust growth in U.S. pharmacy sales**
  - highest number of prescriptions<sup>8</sup> filled in Walgreens' history
- **Developing specialty: Inovalon One platform to improve efficiency**
- **Expanding online presence**
  - 22.5% of all 4Q retail refill scripts initiated via digital channel, up 2.4%p<sup>16</sup>
- **Extending retail initiatives**
  - selected Gainesville concepts rolling out to wider trials
  - expansion of FedEx offering and Sprint trial
- **Progressing partnership strategy**
  - new collaborations with Kroger & Birchbox
  - expansion of LabCorp partnership and Alibaba agreement in China



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We help people across the world lead healthier and happier lives

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

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



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# Footnotes



1. Non-GAAP financial measures – see appendix for reconciliations of non-GAAP financial measures and related disclosures.
2. Net earnings and net earnings per common share – diluted figures are attributable to Walgreens Boots Alliance, Inc.
3. Forward-Looking Statements – see cautionary note on slide 2.
4. Presented on a constant currency basis. Non-GAAP financial measure – see appendix. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.
5. Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or subject to a natural disaster in the past twelve months. Relocated and acquired stores are not included as comparable stores for the first twelve months after the relocation or acquisition. The method of calculating comparable sales varies across the industries in which we operate. As a result, our method of calculating comparable sales may not be the same as other companies' methods.
6. Organic sales are defined as sales excluding non-comparable acquisitions and divestitures including joint ventures and are considered a non-GAAP financial measure. Walgreens Boots Alliance, Inc. results, dollars in millions – 4Q18 consolidated sales increased 10.9% to \$33,442, with currency translation negatively impacting sales by 0.4 percentage points. Excluding the impact of currency, sales increased 11.3%. Retail Pharmacy USA 4Q18 sales increased 14.4% to \$25,508, which includes a positive impact of 10.1 percentage points or \$2,243 from non-comparable acquisitions and divestitures including joint ventures. Retail Pharmacy USA 4Q18 Pharmacy sales increased 16.7% to \$18,773, which includes a positive impact of 9.8 percentage points or \$1,573 from non-comparable acquisitions and divestitures including joint ventures. Retail Pharmacy International 4Q18 sales of \$2,886 decreased 2.7% excluding the impact of currency translation but including a negative impact of 1.2 percentage points from \$35 of non-comparable acquisitions and divestitures including joint ventures in 4Q17. FY18 consolidated sales increased 11.3% to \$131,537, with currency translation positively impacting sales by 1.3 percentage points. Excluding the impact of currency, sales increased 10.0%. Retail Pharmacy USA FY18 sales increased 12.7% to \$98,392, which includes a positive impact of 9.3 percentage points or \$8,085 from non-comparable acquisitions and divestitures including joint ventures. Retail Pharmacy USA FY18 Pharmacy sales increased 17.2% to \$71,055, which includes a positive impact of 10.7 percentage points or \$6,512 from non-comparable acquisitions and divestitures including joint ventures. Retail Pharmacy International FY18 sales of \$12,281 decreased 2.1% excluding the impact of currency translation but including a negative impact of 0.9 percentage point from \$107 of non-comparable acquisitions and divestitures including joint ventures in fiscal 2017.
7. Retail Pharmacy USA segment GAAP results, dollars in millions – 4Q18: gross profit \$5,860, selling general and administrative expenses \$4,745, SG&A as a percent of sales 18.6%, operating income \$1,115, and operating margin 4.4%. FY18: gross profit \$23,758, SG&A expenses \$18,862, SG&A as a percent of sales 19.2%, operating income \$4,896 and operating margin 5.0% – see appendix.
8. Retail Pharmacy USA Pharmacy prescriptions (including immunizations) are reported on a 30-day equivalent basis.
9. This information is an estimate derived from the use of information under license from the following IQVIA (formerly IMS Health) information service: IQVIA Prescription Services as of August 31, 2018 and includes prescriptions filled at stores acquired from Rite Aid from and after the cutover date. IQVIA expressly reserves all rights, including rights of copying, distribution and republication.
10. Retail Pharmacy International segment GAAP results on a reported currency basis, dollars in millions – 4Q18: gross profit \$1,225, selling general and administrative expenses \$991, SG&A as a percent of sales 34.3%, operating income \$234, and operating margin 8.1% – see appendix. In 4Q18 compared to the prior year quarter, the division's gross profit decreased 0.1%, SG&A expenses decreased 1.6%, SG&A as a percent of sales increased 0.1 percentage points, operating income increased 6.8%, operating margin increased 0.7 percentage points, sales decreased 1.9%, comparable store sales decreased 1.0%, comparable pharmacy sales decreased 2.9%, comparable retail sales increased 0.2%, Boots UK comparable pharmacy sales decreased 2.6% and Boots UK comparable retail sales increased 0.1%. FY18: gross profit \$4,958, selling general and administrative expenses \$4,116, SG&A as a percent of sales 33.5%, operating income \$842, operating margin 6.9% – see appendix. In FY18 compared to the prior year, the division's gross profit increased 4.3%, SG&A expenses increased 2.6%, SG&A as a percent of sales decreased 0.5 percentage points, operating income reported currency basis increased 13.6%, operating margin increased 0.6 percentage points, sales increased 4.0%, comparable store sales increased 4.7%, comparable pharmacy sales increased 4.7%, comparable retail sales increased 4.7%, Boots UK comparable pharmacy sales increased 5.1% and Boots UK comparable retail sales increased 4.2%.



# Footnotes



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11. Pharmaceutical Wholesale segment GAAP results on a reported currency basis, dollars in millions – 4Q18: operating income \$163, and operating margin 2.0% – see appendix. In 4Q18 compared to the prior year quarter, the division's operating income increased 69.8%, operating margin increased 0.1 percentage points, sales increased 2.3%, and comparable sales excluding acquisitions and dispositions increased 2.3%. FY18: operating income \$676 and operating margin 2.1% – see appendix. In FY18 compared to the prior year, the division's operating income increased 8.9%, operating margin decreased 0.2 percentage points, sales increased 8.6% and comparable sales increased 8.6%.
12. Comparable sales are defined as sales excluding acquisitions and dispositions.
13. Pharmaceutical Wholesale adjusted operating income includes adjusted equity earnings in AmerisourceBergen, which were \$88 million and \$84 million in the three months ended August 31, 2018 and three months ended August 31, 2017, respectively. See appendix for details. Pharmaceutical Wholesale adjusted operating margin has been calculated excluding adjusted equity earnings in AmerisourceBergen.
14. 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.
15. Adjusted effective tax rate is calculated excluding adjusted equity earnings in AmerisourceBergen.
16. Retail refill scripts initiated via digital channel is inclusive of prescriptions filled at Walgreens and Duane Reade. For this purpose, the total number of 4Q retail refill prescriptions does not include prescriptions filled at acquired Rite Aid stores.



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# Appendix

*The following information provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). The company has provided the non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These supplemental non-GAAP financial measures are presented because management has evaluated the company's financial results both including and excluding the adjusted items or the effects of foreign currency translation, as applicable, and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the company's business from period to period and trends in the company's historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented in the presentation. The company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis (including the information under fiscal year 2019 guidance) where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the company's control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.*

*The company also presents certain information related to current period operating results in "constant currency," which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.*

*For our Retail Pharmacy divisions, comparable stores are defined as those that have been open for at least 12 consecutive months and that have not been closed for seven or more consecutive days, undergone a major remodel or been subject to a natural disaster during the past 12 months. Relocated and acquired stores are not included as comparable stores for the first 12 months after the relocation or acquisition. Comparable store sales, comparable pharmacy sales and comparable retail sales refer to total sales, pharmacy sales and retail sales, respectively, in such stores. For our Pharmaceutical Wholesale division, comparable sales are defined as sales excluding acquisitions and dispositions. The method of calculating comparable sales varies across the industries in which we operate. As a result, our method of calculating comparable sales may not be the same as other companies' methods.*



# 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. 4Q17		Twelve months ended August 31,		Change vs. FY17	
	2018	2017	Amount	Percent	2018	2017	Amount	Percent
<b>Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)</b>	<b>\$ 1,512</b>	<b>\$ 802</b>	<b>\$ 710</b>	<b>88.5%</b>	<b>\$ 5,024</b>	<b>\$ 4,078</b>	<b>\$ 946</b>	<b>23.2%</b>
<b>Adjustments to operating income:</b>								
Acquisition-related amortization	119	85			448	332		
Certain legal and regulatory accruals and settlements <sup>1</sup>	164	—			284	—		
Acquisition-related costs	58	399			231	474		
Adjustments to equity earnings in AmerisourceBergen	39	92			175	187		
Store optimization	76	—			100	—		
LIFO provision	(82)	(38)			84	166		
Hurricane-related costs	—	—			83	—		
Cost transformation	—	243			—	835		
Asset recovery	—	(11)			(15)	(11)		
<b>Total adjustments to operating income</b>	<b>374</b>	<b>770</b>			<b>1,390</b>	<b>1,983</b>		
<b>Adjustments to other income (expense):</b>								
Impairment of equity method investment	—	—			178	—		
Net investment hedging (gain) loss	15	33			(21)	48		
Gain on sale of equity method investment	(322)	—			(322)	—		
<b>Total adjustments to other income (expense)</b>	<b>(307)</b>	<b>33</b>			<b>(165)</b>	<b>48</b>		
<b>Adjustments to interest expense, net:</b>								
Prefunded acquisition financing costs	—	80			29	203		
<b>Total adjustments to interest expense, net</b>	<b>—</b>	<b>80</b>			<b>29</b>	<b>203</b>		
<b>Adjustments to income tax provision:</b>								
Equity method non-cash tax	6	(11)			25	23		
UK tax rate change <sup>2</sup>	—	—			—	(77)		
U.S. tax law changes <sup>2</sup>	(169)	—			(125)	—		
Tax impact of adjustments <sup>3</sup>	31	(289)			(193)	(755)		
<b>Total adjustments to income tax provision</b>	<b>(132)</b>	<b>(300)</b>			<b>(293)</b>	<b>(809)</b>		
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)</b>	<b>\$ 1,447</b>	<b>\$ 1,385</b>	<b>\$ 62</b>	<b>4.5%</b>	<b>\$ 5,985</b>	<b>\$ 5,503</b>	<b>\$ 482</b>	<b>8.8%</b>

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

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

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



Walgreens Boots Alliance

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# Reconciliation of Non-GAAP financial measures

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

## DILUTED NET EARNINGS PER SHARE

	Three months ended August 31,		Change vs. 4Q17		Twelve months ended August 31,		Change vs. FY17	
	2018	2017	Amount	Percent	2018	2017	Amount	Percent
<b>Diluted net earnings per common share (GAAP)</b>	\$ 1.55	\$ 0.76	\$ 0.79	103.9%	\$ 5.05	\$ 3.78	\$ 1.27	33.6%
Adjustments to operating income	0.38	0.73			1.40	1.84		
Adjustments to other income (expense)	(0.31)	0.03			(0.17)	0.04		
Adjustments to interest expense, net	—	0.08			0.03	0.19		
Adjustments to income tax provision	(0.14)	(0.29)			(0.29)	(0.75)		
<b>Adjusted diluted net earnings per common share (Non-GAAP measure)</b>	<b>\$ 1.48</b>	<b>\$ 1.31</b>	<b>\$ 0.17</b>	<b>13.0%</b>	<b>\$ 6.02</b>	<b>\$ 5.10</b>	<b>\$ 0.92</b>	<b>18.0%</b>
Weighted average common shares outstanding, diluted (in millions)	977.9	1,059.5			995.0	1,078.5		



# Reconciliation of Non-GAAP financial measures

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

## GROSS PROFIT BY DIVISION

	Three months ended August 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 5,860	\$ 1,225	\$ 491	\$ (1)	\$ 7,575
Acquisition-related amortization	(3)	—	—	—	(3)
LIFO provision	(82)	—	—	—	(82)
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 5,775</b>	<b>\$ 1,225</b>	<b>\$ 491</b>	<b>\$ (1)</b>	<b>\$ 7,490</b>
Sales	\$ 25,508	\$ 2,886	\$ 5,568	\$ (520)	\$ 33,442
Gross margin (GAAP)	23.0%	42.4%	8.8%		22.7%
Adjusted gross margin (Non-GAAP measure)	22.6%	42.4%	8.8%		22.4%

	Three months ended August 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 5,628	\$ 1,226	\$ 487	\$ (1)	\$ 7,340
LIFO provision	(38)	—	—	—	(38)
Cost transformation	28	—	—	—	28
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 5,618</b>	<b>\$ 1,226</b>	<b>\$ 487</b>	<b>\$ (1)</b>	<b>\$ 7,330</b>
Sales	\$ 22,301	\$ 2,941	\$ 5,445	\$ (538)	\$ 30,149
Gross margin (GAAP)	25.2%	41.7%	8.9%		24.3%
Adjusted gross margin (Non-GAAP measure)	25.2%	41.7%	8.9%		24.3%



# Reconciliation of Non-GAAP financial measures

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

## GROSS PROFIT BY DIVISION

	Twelve months ended August 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 23,758	\$ 4,958	\$ 2,081	\$ (5)	\$ 30,792
Acquisition-related amortization	11	—	—	—	11
LIFO provision	84	—	—	—	84
Hurricane-related costs	43	—	—	—	43
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 23,896</b>	<b>\$ 4,958</b>	<b>\$ 2,081</b>	<b>\$ (5)</b>	<b>\$ 30,930</b>
Sales	\$ 98,392	\$ 12,281	\$ 23,006	\$ (2,142)	\$ 131,537
Gross margin (GAAP)	24.1%	40.4%	9.0%		23.4%
Adjusted gross margin (Non-GAAP measure)	24.3%	40.4%	9.0%		23.5%

  

	Twelve months ended August 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 22,450	\$ 4,753	\$ 1,965	\$ (6)	\$ 29,162
LIFO provision	166	—	—	—	166
Cost transformation	89	—	—	—	89
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 22,705</b>	<b>\$ 4,753</b>	<b>\$ 1,965</b>	<b>\$ (6)</b>	<b>\$ 29,417</b>
Sales	\$ 87,302	\$ 11,813	\$ 21,188	\$ (2,089)	\$ 118,214
Gross margin (GAAP)	25.7%	40.2%	9.3%		24.7%
Adjusted gross margin (Non-GAAP measure)	26.0%	40.2%	9.3%		24.9%





# Reconciliation of Non-GAAP financial measures

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

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Three months ended August 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,745</b>	<b>\$ 991</b>	<b>\$ 377</b>	<b>\$ —</b>	<b>\$ 6,113</b>
Acquisition-related amortization	(77)	(25)	(20)	—	(122)
Certain legal and regulatory accruals and settlements <sup>1</sup>	(164)	—	—	—	(164)
Acquisition-related costs	(58)	—	—	—	(58)
Store optimization	(76)	—	—	—	(76)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,370</b>	<b>\$ 966</b>	<b>\$ 357</b>	<b>\$ —</b>	<b>\$ 5,693</b>
Sales	\$ 25,508	\$ 2,886	\$ 5,568	\$ (520)	\$ 33,442
Selling, general and administrative expenses percent to sales (GAAP)	18.6%	34.3%	6.8%		18.3%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.1%	33.5%	6.4%		17.0%

	Three months ended August 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,828</b>	<b>\$ 1,007</b>	<b>\$ 383</b>	<b>\$ —</b>	<b>\$ 6,218</b>
Acquisition-related amortization	(39)	(26)	(20)	—	(85)
Acquisition-related costs	(399)	—	—	—	(399)
Cost transformation	(186)	(16)	(13)	—	(215)
Asset recovery	11	—	—	—	11
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,215</b>	<b>\$ 965</b>	<b>\$ 350</b>	<b>\$ —</b>	<b>\$ 5,530</b>
Sales	\$ 22,301	\$ 2,941	\$ 5,445	\$ (538)	\$ 30,149
Selling, general and administrative expenses percent to sales (GAAP)	21.6%	34.2%	7.0%		20.6%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	18.9%	32.8%	6.4%		18.3%

<sup>1</sup> Please see note 1 on page 21.



# Reconciliation of Non-GAAP financial measures

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

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Twelve months ended August 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP)</b>	\$ 18,862	\$ 4,116	\$ 1,596	\$ (5)	\$ 24,569
Acquisition-related amortization	(249)	(105)	(83)	—	(437)
Certain legal and regulatory accruals and settlements <sup>1</sup>	(284)	—	—	—	(284)
Acquisition-related costs	(231)	—	—	—	(231)
Store optimization	(100)	—	—	—	(100)
Hurricane-related costs	(40)	—	—	—	(40)
Asset recovery	15	—	—	—	15
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 17,973</b>	<b>\$ 4,011</b>	<b>\$ 1,513</b>	<b>\$ (5)</b>	<b>\$ 23,492</b>
Sales	\$ 98,392	\$ 12,281	\$ 23,006	\$ (2,142)	\$ 131,537
Selling, general and administrative expenses percent to sales (GAAP)	19.2%	33.5%	6.9%		18.7%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	18.3%	32.7%	6.6%		17.9%

	Twelve months ended August 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP)</b>	\$ 18,255	\$ 4,012	\$ 1,479	\$ (6)	\$ 23,740
Acquisition-related amortization	(152)	(101)	(79)	—	(332)
Acquisition-related costs	(474)	—	—	—	(474)
Cost transformation	(642)	(67)	(37)	—	(746)
Asset recovery	11	—	—	—	11
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 16,998</b>	<b>\$ 3,844</b>	<b>\$ 1,363</b>	<b>\$ (6)</b>	<b>\$ 22,199</b>
Sales	\$ 87,302	\$ 11,813	\$ 21,188	\$ (2,089)	\$ 118,214
Selling, general and administrative expenses percent to sales (GAAP)	20.9%	34.0%	7.0%		20.1%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	19.5%	32.5%	6.4%		18.8%

<sup>1</sup> Please see note 1 on page 21.



# Reconciliation of Non-GAAP financial measures

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

## EQUITY EARNINGS IN AMERISOURCEBERGEN

	Three months ended August 31,		Twelve months ended August 31,	
	2018	2017	2018	2017
<b>Equity earnings in AmerisourceBergen (GAAP)</b>	\$ 49	\$ (8)	\$ 191	\$ 135
Litigation settlements and other	14	67	199	73
Acquisition-related amortization	32	30	119	110
Loss on previously held equity interest	—	—	11	—
Asset impairment	—	—	8	—
Early debt extinguishment	(7)	—	(2)	—
PharMEDium remediation costs	3	—	7	—
Change in fair market value of AmerisourceBergen warrants	—	—	—	30
LIFO provision	(3)	(5)	(15)	(26)
U.S. tax law changes	—	—	(152)	—
<b>Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 88</b>	<b>\$ 84</b>	<b>\$ 366</b>	<b>\$ 322</b>



# Reconciliation of Non-GAAP financial measures

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

## OPERATING INCOME BY DIVISION

	Three months ended August 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)</b>	\$ 1,115	\$ 234	\$ 163	\$ (1)	\$ 1,511
Acquisition-related amortization	74	25	20	—	119
Certain legal and regulatory accruals and settlements <sup>2</sup>	164	—	—	—	164
Acquisition-related costs	58	—	—	—	58
Adjustments to equity earnings in AmerisourceBergen	—	—	39	—	39
Store optimization	76	—	—	—	76
LIFO provision	(82)	—	—	—	(82)
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 1,405</b>	<b>\$ 259</b>	<b>\$ 222</b>	<b>\$ (1)</b>	<b>\$ 1,885</b>
Sales	\$ 25,508	\$ 2,886	\$ 5,568	\$ (520)	\$ 33,442
Operating margin (GAAP) <sup>3</sup>	4.4%	8.1%	2.0%		4.4%
Adjusted operating margin (Non-GAAP measure) <sup>3</sup>	5.5%	9.0%	2.4%		5.4%

	Three months ended August 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)</b>	\$ 800	\$ 219	\$ 96	\$ (1)	\$ 1,114
Acquisition-related amortization	39	26	20	—	85
Acquisition-related costs	399	—	—	—	399
Adjustments to equity earnings in AmerisourceBergen	—	—	92	—	92
LIFO provision	(38)	—	—	—	(38)
Cost transformation	214	16	13	—	243
Asset recovery	(11)	—	—	—	(11)
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 1,403</b>	<b>\$ 261</b>	<b>\$ 221</b>	<b>\$ (1)</b>	<b>\$ 1,884</b>
Sales	\$ 22,301	\$ 2,941	\$ 5,445	\$ (538)	\$ 30,149
Operating margin (GAAP) <sup>3</sup>	3.6%	7.4%	1.9%		3.7%
Adjusted operating margin (Non-GAAP measure) <sup>3</sup>	6.3%	8.9%	2.5%		6.0%

<sup>1</sup> Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the three month period ended August 31, 2018 includes AmerisourceBergen equity earnings for the period of April 1, 2018 through June 30, 2018. Operating income for the three month period ended August 31, 2017 includes AmerisourceBergen equity earnings for the period of April 1, 2017 through June 30, 2017.

<sup>2</sup> Please see note 1 on page 21.

<sup>3</sup> Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.



Walgreens Boots Alliance

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# Reconciliation of Non-GAAP financial measures

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

## OPERATING INCOME BY DIVISION

	Twelve months ended August 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)</b>	\$ 4,896	\$ 842	\$ 676	\$ —	\$ 6,414
Acquisition-related amortization	260	105	83	—	448
Certain legal and regulatory accruals and settlements <sup>2</sup>	284	—	—	—	284
Acquisition-related costs	231	—	—	—	231
Adjustments to equity earnings in AmerisourceBergen	—	—	175	—	175
Store optimization	100	—	—	—	100
LIFO provision	84	—	—	—	84
Hurricane-related costs	83	—	—	—	83
Asset recovery	(15)	—	—	—	(15)
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 5,923</b>	<b>\$ 947</b>	<b>\$ 934</b>	<b>\$ —</b>	<b>\$ 7,804</b>
Sales	\$ 98,392	\$ 12,281	\$ 23,006	\$ (2,142)	\$ 131,537
Operating margin (GAAP) <sup>3</sup>	5.0%	6.9%	2.1%		4.7%
Adjusted operating margin (Non-GAAP measure) <sup>3</sup>	6.0%	7.7%	2.5%		5.7%

  

	Twelve months ended August 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)</b>	\$ 4,195	\$ 741	\$ 621	\$ —	\$ 5,557
Acquisition-related amortization	152	101	79	—	332
Acquisition-related costs	474	—	—	—	474
Adjustments to equity earnings in AmerisourceBergen	—	—	187	—	187
LIFO provision	166	—	—	—	166
Cost transformation	731	67	37	—	835
Asset recovery	(11)	—	—	—	(11)
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 5,707</b>	<b>\$ 909</b>	<b>\$ 924</b>	<b>\$ —</b>	<b>\$ 7,540</b>
Sales	\$ 87,302	\$ 11,813	\$ 21,188	\$ (2,089)	\$ 118,214
Operating margin (GAAP) <sup>3</sup>	4.8%	6.3%	2.3%		4.6%
Adjusted operating margin (Non-GAAP measure) <sup>3</sup>	6.5%	7.7%	2.8%		6.1%

<sup>1</sup> Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the twelve month period ended August 31, 2018 includes AmerisourceBergen equity earnings for the period of July 1, 2017 through June 30, 2018. Operating income for the twelve month period ended August 31, 2017 includes AmerisourceBergen equity earnings for the period of July 1, 2016 through June 30, 2017.

<sup>2</sup> Please see note 1 on page 21.

<sup>3</sup> Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.



Walgreens Boots Alliance

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# Reconciliation of Non-GAAP financial measures

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

## ADJUSTED EFFECTIVE TAX RATE

	Three months ended August 31, 2018			Three months ended August 31, 2017		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 1,661	\$ 159	9.6%	\$ 932	\$ 126	13.5%
Impact of non-GAAP adjustments	67	(20)		883	436	
U.S. tax law changes	—	169		—	—	
Equity method non-cash tax	—	(6)		—	11	
Adjusted tax rate true-up	—	(11)		—	(147)	
<b>Subtotal</b>	<b>\$ 1,728</b>	<b>\$ 291</b>		<b>\$ 1,815</b>	<b>\$ 426</b>	
Exclude adjusted equity earnings in AmerisourceBergen	(88)	—		(84)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 1,640</b>	<b>\$ 291</b>	<b>17.7%</b>	<b>\$ 1,731</b>	<b>\$ 426</b>	<b>24.6%</b>



# Reconciliation of Non-GAAP financial measures

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

## ADJUSTED EFFECTIVE TAX RATE

	Twelve months ended August 31, 2018			Twelve months ended August 31, 2017		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 5,975	\$ 998	16.7%	\$ 4,853	\$ 760	15.7%
Impact of non-GAAP adjustments	1,254	193		2,234	755	
U.S. tax law changes	—	125		—	—	
Equity method non-cash	—	(25)		—	(23)	
U.K. tax rate change	—	—		—	77	
<b>Subtotal</b>	<b>\$ 7,229</b>	<b>\$ 1,291</b>		<b>\$ 7,087</b>	<b>\$ 1,569</b>	
Exclude adjusted equity earnings in AmerisourceBergen	(366)	—		(322)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 6,863</b>	<b>\$ 1,291</b>	<b>18.8%</b>	<b>\$ 6,765</b>	<b>\$ 1,569</b>	<b>23.2%</b>



# 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,	
	2018	2017	2018	2017
Net cash provided by operating activities (GAAP)	\$ 2,880	\$ 2,014	\$ 8,265	\$ 7,251
Less: Additions to property, plant and equipment	(384)	(439)	(1,367)	(1,351)
<b>Free cash flow (Non-GAAP measure)<sup>1</sup></b>	<b>\$ 2,496</b>	<b>\$ 1,575</b>	<b>\$ 6,898</b>	<b>\$ 5,900</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.





# Reconciliation of Non-GAAP financial measures

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

## DILUTED NET EARNINGS PER COMMON SHARE COMPOUND ANNUAL GROWTH RATE

	Twelve months ended August 31,		Change vs. FY14	
	2018	2014 <sup>1</sup>	Total	Compound annual growth rate
<b>Diluted net earnings per common share (GAAP)</b>	\$ 5.05	\$ 2.00	152.5%	26.1%
Adjustments to operating income	1.40	0.69		
Adjustments to other income (expense)	(0.17)	0.50		
Adjustments to interest expense, net	0.03	—		
Adjustments to income tax provision	(0.29)	0.09		
<b>Adjusted diluted net earnings per common share (Non-GAAP measure)</b>	<b>\$ 6.02</b>	<b>\$ 3.28</b>	<b>83.5%</b>	<b>16.4%</b>
Weighted average common shares outstanding, diluted (in millions)	995.0	965.2		

<sup>1</sup>On December 31, 2014, Walgreens Boots Alliance, Inc. became the successor of Walgreen Co. pursuant to a merger to effect a reorganization of Walgreen Co. into a holding company structure, with Walgreens Boots Alliance, Inc. becoming the parent holding company. Financial information reflects the results of operations and financial position of Walgreen Co. and its subsidiaries for periods prior to December 31, 2014 and of Walgreens Boots Alliance, Inc. and its subsidiaries for periods as of and after December 31, 2014. As a result of the completion of the acquisition by Walgreens Boots Alliance, Inc. of the remaining 55% of Alliance Boots GmbH that Walgreen Co. did not already own on December 31, 2014, there are a number of items that affect comparability of reported results for the periods presented and comparisons of results are not directly comparable. For further information, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Comparability" in our Annual Report on Form 10-K for the fiscal year ended 31 August 2015 and in our subsequent filings with the Securities and Exchange Commission.



# Reconciliation of Non-GAAP financial measures

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

## NET EARNINGS

	Twelve months ended August 31, 2014 <sup>1</sup>
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP) <sup>1</sup>	\$ 1,932
<b>Adjustments to operating income:</b>	
Acquisition-related costs	82
Acquisition-related amortization	282
LIFO provision	132
Store closures and other optimization costs	271
Loss (gain) on sale of business	(9)
Adjustments to equity earnings in Alliance Boots	(86)
<b>Total adjustments to operating income</b>	<b>672</b>
<b>Adjustments to other income (expense):</b>	
Change in fair market value of AmerisourceBergen warrants	(385)
Alliance Boots call option loss	866
<b>Total adjustments to other income (expense)</b>	<b>481</b>
<b>Adjustments to income tax provision:</b>	
Equity method non-cash tax <sup>2</sup>	180
Tax impact of adjustments <sup>3</sup>	(95)
<b>Total adjustments to income tax provision</b>	<b>85</b>
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)<sup>1</sup></b>	<b>\$ 3,170</b>

<sup>1</sup> On December 31, 2014, Walgreens Boots Alliance, Inc. became the successor of Walgreen Co. pursuant to a merger to effect a reorganization of Walgreen Co. into a holding company structure, with Walgreens Boots Alliance, Inc. becoming the parent holding company. Financial information reflects the results of operations and financial position of Walgreen Co. and its subsidiaries for periods prior to December 31, 2014 and of Walgreens Boots Alliance, Inc. and its subsidiaries for periods as of and after December 31, 2014. As a result of the completion of the acquisition by Walgreens Boots Alliance, Inc. of the remaining 55% of Alliance Boots GmbH that Walgreen Co. did not already own on December 31, 2014, there are a number of items that affect comparability of reported results for the periods presented and comparisons of results are not directly comparable. For further information, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Comparability" in our Annual Report on Form 10-K for the fiscal year ended 31 August 2015 and in our subsequent filings with the Securities and Exchange Commission.

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

<sup>3</sup> Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments.



# Historical adjusted SG&A expense

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2016				2017				2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,417</b>	<b>\$ 4,466</b>	<b>\$ 4,434</b>	<b>\$ 4,601</b>	<b>\$ 4,334</b>	<b>\$ 4,756</b>	<b>\$ 4,337</b>	<b>\$ 4,828</b>	<b>\$ 4,476</b>	<b>\$ 4,865</b>	<b>\$ 4,776</b>	<b>\$ 4,745</b>
Acquisition-related amortization	(50)	(47)	(46)	(42)	(37)	(38)	(38)	(39)	(38)	(56)	(78)	(77)
Acquisition-related costs	(34)	(33)	(15)	(20)	(17)	(29)	(29)	(399)	(51)	(65)	(57)	(58)
Certain legal and regulatory accruals and settlements <sup>1</sup>	—	—	—	(47)	—	—	—	—	(25)	(90)	(5)	(164)
Hurricane-related costs	—	—	—	—	—	—	—	—	(40)	—	—	—
Cost transformation	(85)	(25)	(60)	(204)	(72)	(316)	(68)	(186)	—	—	—	—
Store optimization	—	—	—	—	—	—	—	—	—	—	(24)	(76)
(Loss)/Gain on sale of business	—	—	—	—	—	—	—	—	—	—	—	—
Asset (impairment) recovery	—	(30)	—	—	—	—	—	11	—	15	—	—
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,248</b>	<b>\$ 4,331</b>	<b>\$ 4,313</b>	<b>\$ 4,288</b>	<b>\$ 4,208</b>	<b>\$ 4,373</b>	<b>\$ 4,202</b>	<b>\$ 4,215</b>	<b>\$ 4,322</b>	<b>\$ 4,669</b>	<b>\$ 4,612</b>	<b>\$ 4,370</b>
Sales	\$ 20,370	\$ 21,500	\$ 21,185	\$ 20,747	\$ 20,659	\$ 21,814	\$ 22,528	\$ 22,301	\$ 22,489	\$ 24,478	\$ 25,917	\$ 25,508
Selling, general and administrative expenses percent to sales (GAAP)	21.7%	20.8%	20.9%	22.2%	21.0%	21.8%	19.3%	21.6%	19.9%	19.9%	18.4%	18.6%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	20.9%	20.1%	20.4%	20.7%	20.4%	20.0%	18.7%	18.9%	19.2%	19.1%	17.8%	17.1%
Adjusted SG&A as a percentage of sales vs. comparable quarter	-1.3%p	-0.4%p	-0.5%p	-0.9%p	-0.5%p	-0.1%p	-1.7%p	-1.8%p	-1.2%p	-0.9%p	-0.9%p	-1.8%p

<sup>1</sup> See note 1 on page 21.



# Historical adjusted SG&A expense

Retail Pharmacy USA<sup>1</sup>  
Supplemental Information (unaudited)  
(in millions)

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2012		2013				2014				2015			
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,249</b>	<b>\$ 4,398</b>	<b>\$ 4,497</b>	<b>\$ 4,362</b>	<b>\$ 4,286</b>	<b>\$ 4,379</b>	<b>\$ 4,569</b>	<b>\$ 4,551</b>	<b>\$ 4,493</b>	<b>\$ 4,456</b>	<b>\$ 4,555</b>	<b>\$ 4,494</b>	<b>\$ 4,742</b>	
Acquisition-related amortization	(70)	(74)	(75)	(67)	(73)	(70)	(73)	(71)	(68)	(67)	(59)	(52)	(52)	
Acquisition-related costs	(50)	(37)	(21)	(27)	(24)	(25)	(17)	(20)	(20)	(24)	(52)	(4)	—	
Certain legal and regulatory accruals and settlements	—	—	—	(28)	—	—	—	—	—	—	—	—	—	
Hurricane-related costs	—	(39)	—	—	—	—	—	—	—	—	—	—	—	
Cost transformation	—	—	—	—	—	—	—	—	—	—	—	(151)	(372)	
Store closures & optimization costs	—	—	—	—	—	(19)	(2)	(99)	(139)	(28)	(16)	(7)	(5)	
(Loss)/Gain on sale of business	—	—	—	—	—	—	—	—	9	—	—	(12)	(5)	
Asset (impairment) recovery	—	—	—	—	—	—	—	—	—	—	(110)	—	—	
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,129</b>	<b>\$ 4,248</b>	<b>\$ 4,401</b>	<b>\$ 4,240</b>	<b>\$ 4,189</b>	<b>\$ 4,265</b>	<b>\$ 4,477</b>	<b>\$ 4,361</b>	<b>\$ 4,275</b>	<b>\$ 4,337</b>	<b>\$ 4,318</b>	<b>\$ 4,268</b>	<b>\$ 4,308</b>	
Sales	\$ 17,073	\$ 17,316	\$ 18,647	\$ 18,313	\$ 17,941	\$ 18,329	\$ 19,605	\$ 19,401	\$ 19,057	\$ 19,554	\$ 21,048	\$ 20,425	\$ 19,947	
Selling, general and administrative expenses percent to sales (GAAP)	24.9%	25.4%	24.1%	23.8%	23.9%	23.9%	23.3%	23.5%	23.6%	22.8%	21.6%	22.0%	23.8%	
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	24.2%	24.5%	23.6%	23.2%	23.3%	23.3%	22.8%	22.5%	22.4%	22.2%	20.5%	20.9%	21.6%	
Adjusted SG&A as a percentage of sales vs. comparable quarter						-0.9%p	-1.2%p	-0.8%p	-0.7%p	-0.9%p	-1.1%p	-2.3%p	-1.6%p	-0.8%p

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



# Certain assumptions and supplemental information

*Unless otherwise indicated or the context otherwise requires:*

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

*References in this presentation to the “Company,” “we,” “us” or “our” refer to Walgreens Boots Alliance, Inc. and its subsidiaries, and do not include unconsolidated partially-owned entities, except as otherwise indicated or the context otherwise requires. Our fiscal year ends on August 31<sup>st</sup>, and references herein to “fiscal 2018” refer to our fiscal year ended August 31, 2018.*

