



# Walgreens Boots Alliance

## Fourth Quarter and Fiscal 2020 Results

October 15, 2020

# 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 financial, tax and operating performance and results and 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, our cost-savings and growth initiatives, pilot programs, strategic partnerships and initiatives, 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 program, 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,” “long-term,” “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, 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 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 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 the risks associated with the withdrawal of the United Kingdom from the European Union and 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, 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 the December 2017 U.S. 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, 2019, our Form 10-Q for the fiscal quarter ended May 31, 2020 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.

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 24 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.



# Overview

- **4Q20 results at high end of our expectations**
- **Full year pulled down by 2H COVID impact**
- **Robust financials with strong and reliable cash flow**
- **Trends showing signs of gradual recovery for year ahead**
- **Demonstrable benefits from accelerating digitalization program**
  - **customer experience being transformed**
- **Investments in both pharmacy and retail to drive volume and customer loyalty**
- **Looking ahead, expect to come out of FY21 strongly**



# 4Q and FY20 financial highlights



Walgreens Boots Alliance

- **FY20 adjusted EPS \$4.74, at high end of guidance range**
  - **-20.6% below last year in constant currency; estimated COVID-19 impact ~-\$1.06**
- **4Q adjusted EPS \$1.02 versus \$1.43 in prior year, -27.9% in constant currency**
  - **estimated COVID-19 impact ~-\$0.46**
- **Transformational Cost Management Program remains on track**
  - **expect to deliver in excess of \$2bn of annual cost savings by FY22**
- **Strong cash generation with FY20 operating cash flow \$5.5bn and free cash flow \$4.1bn**
- **Introducing FY21 guidance of low single digit constant currency growth in adjusted EPS**
  - **expect 1H pressure due to COVID-19 impacts and significant growth in 2H**



# Fiscal year financial highlights



Walgreens Boots Alliance

\$ in millions (except EPS and % change)		FY20	Reported currency Δ vs. FY19	Constant currency Δ vs. FY19
<b>Sales</b>		<b>\$139,537</b>	<b>+ 2.0%</b>	<b>+ 2.5%</b>
<b>Operating income:</b>	<b>GAAP</b>	<b>\$1,312</b>	<b>- 73.7%</b>	
	<b>Adjusted</b>	<b>\$5,211</b>	<b>- 24.9%</b>	<b>- 24.8%</b>
<b>Net earnings:</b>	<b>GAAP</b>	<b>\$456</b>	<b>- 88.5%</b>	
	<b>Adjusted</b>	<b>\$4,175</b>	<b>- 24.5%</b>	<b>- 24.3%</b>
<b>EPS:</b>	<b>GAAP</b>	<b>\$0.52</b>	<b>- 88.0%</b>	
	<b>Adjusted</b>	<b>\$4.74</b>	<b>- 20.8%</b>	<b>- 20.6%</b>

- **Estimated COVID-19 impact: FY20 adj. EPS ~-\$1.06**



# 4Q financial highlights



Walgreens Boots Alliance

\$ in millions (except EPS and % change)		4Q20	Reported currency Δ vs. 4Q19	Constant currency Δ vs. 4Q19
<b>Sales</b>		<b>\$34,746</b>	<b>+ 2.3%</b>	<b>+ 2.3%</b>
<b>Operating income:</b>	<b>GAAP</b>	<b>\$650</b>	<b>- 26.0%</b>	
	<b>Adjusted</b>	<b>\$1,126</b>	<b>- 27.7%</b>	<b>- 27.4%</b>
<b>Net earnings:</b>	<b>GAAP</b>	<b>\$373</b>	<b>- 44.9%</b>	
	<b>Adjusted</b>	<b>\$887</b>	<b>- 30.9%</b>	<b>- 30.6%</b>
<b>EPS:</b>	<b>GAAP</b>	<b>\$0.43</b>	<b>- 42.8%</b>	
	<b>Adjusted</b>	<b>\$1.02</b>	<b>- 28.2%</b>	<b>- 27.9%</b>

- **Estimated COVID-19 impact: 4Q adj. EPS ~-\$0.46**



# Retail Pharmacy USA – financials



<b>\$ in millions (except %)</b>	<b>4Q20</b>	<b>Δ vs. 4Q19</b>	<b>FY20</b>	<b>Δ vs. FY19</b>
<b>Sales</b>	<b>\$26,967</b>	<b>+ 3.6%</b>	<b>\$107,701</b>	<b>+ 3.0%</b>
<b>Adj. gross profit</b>	<b>\$5,455</b>	<b>- 4.5%</b>	<b>\$22,432</b>	<b>- 5.4%</b>
<b>Adj. SG&amp;A % of sales</b>	<b>17.0%</b>	<b>- 0.6%p</b>	<b>17.0%</b>	<b>- 0.6%p</b>
<b>Adj. operating margin</b>	<b>3.3%</b>	<b>- 1.1%p</b>	<b>3.8%</b>	<b>- 1.2%p</b>
<b>Adj. operating income</b>	<b>\$884</b>	<b>- 22.2%</b>	<b>\$4,099</b>	<b>- 22.0%</b>

- **Estimated COVID-19 impact on adj. operating income: 4Q -\$200m | FY20 -\$520m**



# Retail Pharmacy USA – pharmacy



Comparable	2Q	3Q	4Q	Year
Pharmacy sales	+ 3.7%	+ 3.5%	+ 3.2%	+ 3.2%
Prescriptions	+ 4.9%	+ 0.4%	+ 3.6%	+ 2.9%

- 4Q Rx comp scripts up +3.6%, sequential script growth improvement of +320bps
  - remains below 2Q pre-pandemic level of +4.9%
  - improved 4Q trends in new to therapy prescriptions
  - >1 million patients tested for COVID-19, avg. turnaround 24-72 hours
  - 4Q Rx home delivery from local pharmacy up 71x versus prior year
- 4Q market share declined ~-30bps to 20.7%, mostly impact from store closures
- 4Q specialty impact to gross margin ~-60bps





# Retail Pharmacy USA – retail



Comparable	2Q	3Q	4Q	Year
Comp sales	+ 0.6%	+ 1.9%	+ 4.7%	+ 1.6%
Store gross margin	+ 95bps	- 80bps	- 10bps	+ 5bps

- 4Q retail comp sales up +4.7%, sequential quarterly improvement of +280bps
  - excluding tobacco and e-cigarettes retail comp sales were up +6.5%
  - first mover ramp-up of PPE category boosted retail comp sales +4.6%
  - initiatives drove retail comp sales (mass personalization +140bps in 4Q)
  - gains in essential Health & Wellness +15%, Personal Care +8% and Grocery +1%, partly offset by discretionary Beauty -3% and Photo -4% categories
- Walgreens.com 4Q sales +39% and home delivery sales from store up ~+6x vs. last year
- Continued focused customer shopping: basket size up high-teens, traffic down low-teens
- Store gross margin trend improved aided by improving sales mix of discretionary categories



# Retail Pharmacy International – financials



<b>\$ in millions (except %)</b>	<b>4Q20</b>	<b>Constant currency Δ vs. 4Q19</b>	<b>FY20</b>	<b>Constant currency Δ vs. FY19</b>
<b>Sales</b>	<b>\$2,300</b>	<b>- 15.4%</b>	<b>\$10,004</b>	<b>- 11.1%</b>
<b>Adj. operating margin</b>	<b>- 0.1%</b>	<b>- 7.2%p</b>	<b>1.3%</b>	<b>- 5.3%p</b>
<b>Adj. operating income</b>	<b>- \$3</b>	<b>- 100.7%</b>	<b>\$130</b>	<b>- 83.6%</b>
<b>Boots UK comp. pharmacy sales</b>		<b>+ 0.4%</b>		<b>+ 0.5%</b>
<b>Boots UK comp. retail sales</b>		<b>- 29.2%</b>		<b>- 19.1%</b>

- Estimated COVID-19 impact on adj. operating income: 4Q -\$300m | FY20 -\$690m
- COVID-19 continues to cause notable disruption in all International markets, particularly UK



# Boots UK – financials



Comparable	2Q	3Q	4Q	Year
Pharmacy sales	+ 1.8%	- 1.0%	+ 0.4%	+ 0.5%
Retail sales	- 4.6%	- 48.0%	- 29.2%	- 19.1%
Retail adj. GM%	- 65bps	- 440bps	- 710bps	- 310bps

- Pharmacy comps impacted by lower demand for scripts & Rx services notably in city centers, offset by NHS funding phasing
- Retail comps sequentially improved as foot traffic slowly returned
  - major high street & ‘travel’ locations remained challenging
- Continued acceleration in Boots.com growth and capabilities, sales up +155%
- Boots Opticians 4Q comp sales down ~-40%
- Retail adj. gross margin declined mainly due to online fulfillment costs & marketing activity to drive traffic



# Retail Pharmacy International – initiatives



## Boots UK turnaround key priority for FY21

- Swift actions including targeted marketing activity leading to improved performance
- Boots.com continues to be a top UK online destination for consumers
  - strong growth in Boots.com, sales up +155% in 4Q vs. +78% in 3Q
  - extended fulfillment capabilities, in-store picking operational in over 90% of stores
  - successful online beauty launches of popular prestige brands
- Investment in new No7 counters and fixtures in ~300 stores
- Playing a key role in supporting NHS testing; 52 active sites, >1m tests completed
- GuoDa pharmacy stores at ~7,500, approximately 2x since WBA's 2018 investment

Transform retail

Develop new healthcare  
service offerings

Accelerate digitalization



# Pharmaceutical Wholesale – financials



\$ in millions (except %)	4Q20	Constant currency	FY20	Constant currency
		Δ vs. 4Q19		Δ vs. FY19
<b>Sales</b>	<b>\$5,987</b>	<b>+ 4.3%</b>	<b>\$23,958</b>	<b>+ 6.5%</b>
<b>Adj. operating margin</b>	<b>2.3%</b>	<b>+ 0.1%p</b>	<b>2.3%</b>	<b>- 0.1%p</b>
<b>Adj. operating income</b>	<b>\$245</b>	<b>+ 8.3%</b>	<b>\$980</b>	<b>+ 5.8%</b>

- Continued good sales growth led by emerging markets, Germany and France
- 4Q adj. operating income growth reflects sales momentum and cost management



# Cash flow



Walgreens Boots Alliance

<b>\$ in millions</b>	<b>FY20</b>	<b>B+/(w-) vs. FY19</b>
<b>Operating cash flow</b>	<b>\$ 5,484</b>	<b>- \$109</b>
<b>Capital expenditure</b>	<b>\$ 1,374</b>	<b>+ \$328</b>
<b>Free cash flow</b>	<b>\$ 4,111</b>	<b>+ \$219</b>

- **Strong cash flow generation driven by working capital optimization**
- **Free cash flow +\$0.2bn vs. prior year, despite estimated COVID-19 AOI impacts ~-\$1.2bn**
  - **Working capital cash flow improvement of +\$1.4bn mainly driven by key initiatives**
  - **FY20 cash bonus payments \$0.2bn lower than FY19**
  - **COVID-19 one time government contributions offset by higher safety stock**
  - **Capital expenditure below prior year +\$0.3bn mainly due to project delays**

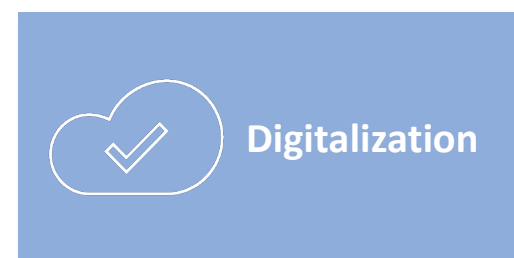


# Transformational Cost Management Program



**On target to deliver in excess of \$2.0 billion in annual cost savings by FY22**

- **Retail Pharmacy USA**
  - store operating model transformation is underway
  - closed 215 locations, returns ahead of expectations & now planning ~250 closures
- **Boots UK**
  - closed 138 of ~200 planned stores
  - support office and store operating model changes well on track
- **Completed transition of majority of IT Run & Operations, RPU completed ahead of plan**
- **Announced restructuring of Global Brands organization to drive efficiency and effectiveness**
- **Completed driver-based budgeting for FY21 budgets; savings fully embedded in budgets**



# Fiscal year 2021 guidance assumptions



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- **Adj. effective tax rate** **~15.5%**
- **Share repurchase (excluding anti-dilutive)** **None**
- **Currency favorable impact (GBP 1.29 | EUR 1.15)** **~\$0.01**
- **Investments in digital, development and omni-channel** **~3% Adj. EPS**
- **Transformational Cost Management Program** **>\$2.0 bn by 2022**
  - **partially offsetting inflation, bonus & investments**







## Constant currency adjusted EPS growth: low-single digit

### Phasing assumptions:

- **1H21 adj. EPS: -17% to -23%**
  - 1H21 expected to be negatively impacted by COVID-19
  - includes lapping 1Q20 tax benefits; ~6 percentage points impact in 1Q21
- **2H21 adj. EPS: +30% to +40%**
  - lapping initial COVID-19 restrictions, assuming continued gradual recovery
  - significant investments to accelerate digitalization approach are expected to contribute to 2H growth profile



# Financial summary



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- **4Q results were at the high end of guidance**
- **Strong financial position with FY20 free cash flow \$4.1bn, growth of +5.6% vs. prior year**
- **Introducing FY21 adj. EPS guidance of low single digit growth at constant currency**
  - **1H pressured by continued COVID-19 impacts**
  - **2H expect to drive significant growth to exit FY21 strongly**
- **Accelerating enterprise digitalization through significant planned Rx & retail investments**



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Refer to safe harbor and non-GAAP on page 2 and endnotes on page 24

# Retail Pharmacy USA – initiatives



## Delivering essential services while accelerating our digital transformation

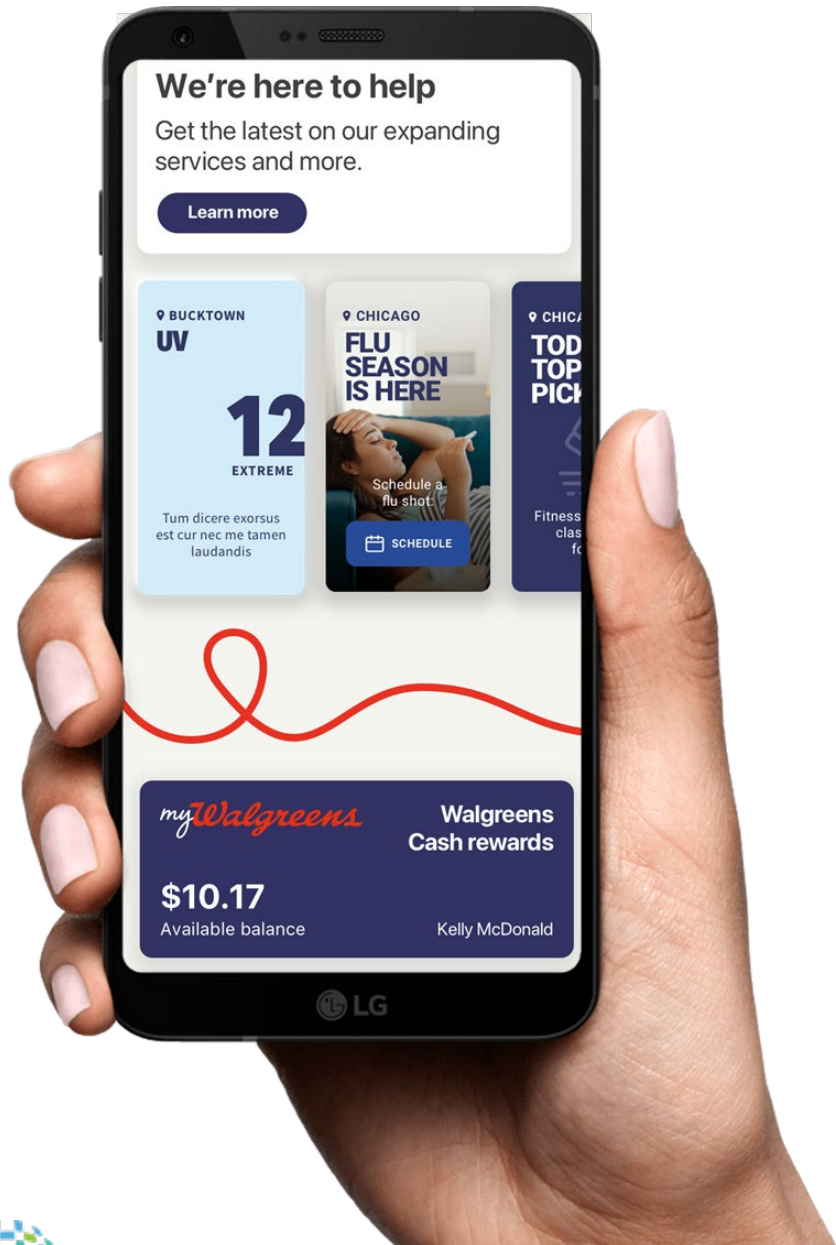
- Relunched Prescription Savings Club – enrollment up over +400% since relaunch
- Providing personalized guidance on health & Rx coverage options through FindRx Coverage Advisor
- Continue to expand healthcare platform to deliver personalized experience
  - Find Care visits up +184% vs. previous quarter to 8.5m, and up +36x vs. last year
- Accelerating omni-channel convenience offerings
  - Walgreens.com sales up +39% vs. last year
  - Total digitally initiated sales up +7% in 4Q
  - Order online/collect at drive-thru and/or curbside sales growth +2.7x vs. 3Q
- Mass personalization boosted retail sales by +140bps in 4Q
- Accelerating pace of technology transformation with retail SAP in over 3,500 stores

Transform and  
restructure retail  
offering

Create neighborhood  
health destinations  
around more modern  
pharmacy

Accelerate digitalization



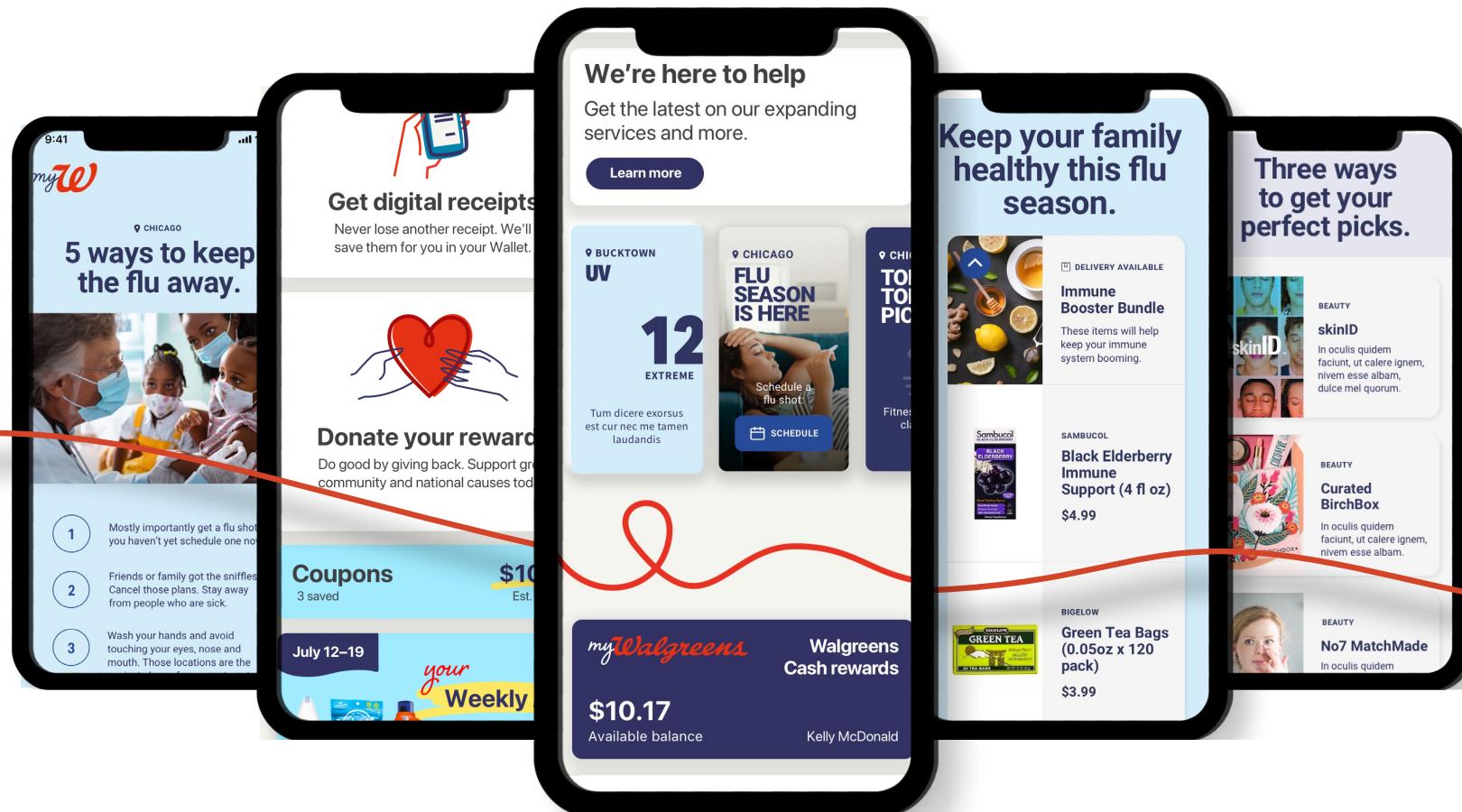


# myWalgreens™

1. Redesigned Mobile App Experience as Gateway to Health & Wellbeing
2. Loyalty Rewards Reimagined



# myWalgreens™



## Launching November 2020



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# New and streamlined features will markedly improve the customer experience

<b>New App / Branding</b>	▶ <i>myWalgreens</i> <sup>TM</sup>
<b>Currency</b>	▶ Walgreens Cash rewards
<b>Digital-First Engagement</b>	▶ Digital wallet, new healthcare services, personalized relationship management
<b>Community Focus</b>	▶ Donate for community causes
<b>Health &amp; Wellbeing Focus</b>	▶ Daily Recommendations, Tutorials, Personalized Offers, 5% back on Owned Brand
<b>Pharmacist Connectivity</b>	▶ 24/7 pharmacist support
<b>Enhanced online ordering</b>	▶ Local pickup choice: In-store, curbside, drive-thru <b>Ready in as little 30 mins</b>





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



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Refer to safe harbor and non-GAAP on page 2 and endnotes on page 24

# Endnotes



- Please see appendix for reconciliations of non-GAAP financial measures and related disclosures.
  - The company presents certain information related to current period operating results in “constant currency,” which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.
  - Retail Pharmacy USA segment GAAP results, dollars in millions – 4Q20: gross profit \$5,456, selling general and administrative expenses \$4,797, SG&A as a percent of sales 17.8%, operating income \$659, and operating margin 2.4%. FY20: gross profit \$22,211, SG&A expenses \$19,515, SG&A as a percent of sales 18.1%, operating income \$2,696 and operating margin 2.5%.
  - Retail Pharmacy International segment GAAP results on a reported currency basis, dollars in millions – 4Q20: gross profit \$832, operating income (loss) \$(132), and operating margin (5.8)%. In 4Q20 compared to prior year quarter, on a reported currency basis, the division's sales decreased 14.9%; operating income (loss) decreased 371.9%; and operating margin decreased 7.6 percentage points. FY20: operating income (loss) \$(2,117), operating margin (21.2)%. In FY20 compared to the prior year, the division's sales decreased 12.7%; operating income (loss) decreased 583.4%; operating margin decreased 25.0 percentage points.
  - Pharmaceutical Wholesale segment GAAP results on a reported currency basis, dollars in millions – 4Q20: operating income \$124. In 4Q20 compared to the prior year quarter, on a reported currency basis, the division's operating income decreased 4.4% and sales increased 4.3%. Pharmaceutical Wholesale segment operating margin excluding equity earnings in AmerisourceBergen on a reported currency basis in 4Q20 was 1.1% and decreased 0.1 percentage points compared to the prior year quarter. FY20: operating income \$732. In FY20 compared to the prior year period, on a reported currency basis, the division's sales increased 3.9% and operating income increased 55.2%. Pharmaceutical Wholesale segment operating margins excluding equity earnings in AmerisourceBergen on a reported currency basis in FY20 were 1.6% and increased 0.3 percentage points compared to the prior year period.
  - 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 the Transformational Cost Management Program, Acquisition-related costs, LIFO provision, Store damages and inventory losses, and Store optimization expenses, divided by sales by business unit. 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 and net earnings per common share – diluted figures are attributable to Walgreens Boots Alliance, Inc.
- For our Retail Pharmacy divisions, comparable stores are defined as those 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. Relocated stores are not included as comparable stores for the first twelve months after the relocation. Acquired stores are not included as comparable stores for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable store 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, in such stores. 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 Retail Pharmacy International division, comparable store 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. The twelve months ended August 31, 2020 comparable sales and prescriptions filled figures for the company's Retail Pharmacy divisions exclude the benefit of this year's leap day.
- Retail Pharmacy USA 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 August 31, 2020 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.
- Retail Pharmacy USA 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 non-converted Rite Aid stores.
- Boots UK market share data as of September 5, 2020.
- 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 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 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.*

*Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and twelve months ended August 31, 2020.*

## ***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 2020" refer to our fiscal year ended August 31, 2020.*



# 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. 4Q19		Twelve months ended August 31,		Change vs. FY19	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
<b>Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)</b>	\$ 373	\$ 677	\$ (304)	(44.9)%	\$ 456	\$ 3,982	\$ (3,525)	(88.5)%
<b>Adjustments to operating income:</b>								
Impairment of goodwill and intangible assets	15	73			2,016	73		
Transformational cost management	269	212			793	477		
Acquisition-related amortization <sup>1</sup>	113	121			461	493		
Acquisition-related costs	25	75			316	303		
Adjustments to equity earnings in AmerisourceBergen	49	42			97	233		
LIFO provision	6	60			95	136		
Store damage and inventory losses <sup>2</sup>	(7)	—			68	—		
Store optimization	5	97			53	196		
Certain legal and regulatory accruals and settlements	—	—			—	31		
Total adjustments to operating income	475	680			3,898	1,944		
<b>Adjustments to other income (expense):</b>								
Impairment of equity method investment	—	—			71	—		
Termination of option granted to Rite Aid	—	—			—	(173)		
Gain on sale of equity method investment	—	—			(1)	—		
Net investment hedging (gain) loss	(4)	8			(11)	18		
Total adjustments to other income (expense)	(4)	8			59	(155)		
<b>Adjustments to income tax provision:</b>								
UK Tax rate change <sup>3</sup>	139	—			139	—		
Equity method non-cash tax	8	9			60	18		
U.S. tax law changes <sup>3</sup>	—	(5)			(6)	(8)		
Tax impact of adjustments <sup>4</sup>	(98)	(103)			(458)	(291)		
Total adjustments to income tax provision	49	(99)			(265)	(281)		
<b>Adjustments to post tax equity earnings from other equity method investments:</b>								
Adjustments to equity earnings in other equity method investments <sup>5</sup>	8	17			54	40		
Total adjustments to post tax equity earnings from other equity method investments	8	17			54	40		
<b>Adjustments to net earnings (loss) attributable to noncontrolling interests:</b>								
Impairment of goodwill and intangible assets	—	—			(14)	—		
Transformational cost management	(10)	—			(10)	—		
Acquisition-related amortization	(4)	—			(4)	—		
LIFO provision	(1)	—			(1)	—		
Total adjustments to net earnings (loss) attributable to noncontrolling interests	(15)	—			(29)	—		
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)</b>	\$ 887	\$ 1,284	\$ (397)	(30.9)%	\$ 4,175	\$ 5,529	\$ (1,355)	(24.5)%



# 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. 4Q19		Twelve months ended August 31,		Change vs. FY19	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
<b>Diluted net earnings per common share (GAAP)</b>	\$ 0.43	\$ 0.75	\$ (0.32)	(42.8)%	\$ 0.52	\$ 4.31	\$ (3.79)	(88.0)%
Adjustments to operating income	0.55	0.75			4.43	2.10		
Adjustments to other income (expense)	—	0.01			0.07	(0.17)		
Adjustments to income tax provision	0.06	(0.11)			(0.30)	(0.30)		
Adjustments to equity earnings in other equity method investments <sup>5</sup>	0.01	0.02			0.06	0.04		
Adjustments to net earnings (loss) attributable to noncontrolling interests	(0.02)	—			(0.03)	—		
<b>Adjusted diluted net earnings per common share (Non-GAAP measure)</b>	<b>\$ 1.02</b>	<b>\$ 1.43</b>	<b>\$ (0.40)</b>	<b>(28.2)%</b>	<b>\$ 4.74</b>	<b>\$ 5.99</b>	<b>\$ (1.24)</b>	<b>(20.8)%</b>
Weighted average common shares outstanding, diluted (in millions)	867.1	900.7			880.3	923.5		

<sup>1</sup> Excludes impairment of \$73 million for indefinite-lived pharmacy licenses intangible asset recorded during the three months ended August 31, 2019, in the Boots reporting unit within the Retail Pharmacy International segment, presented within 'Impairment of goodwill and intangible assets'.

<sup>2</sup> Store damage and inventory losses as a result of looting in the U.S., net of insurance recoveries.

<sup>3</sup> Discrete tax-only items.

<sup>4</sup> Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments and the adjusted tax rate true-up.

<sup>5</sup> Beginning in the quarter ended May 31, 2019, management reviewed and refined its practice to reflect the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the Company's non-GAAP measures in order to provide investors with a comparable view of performance across periods. These adjustments include acquisition-related amortization and acquisition-related costs and were immaterial for periods prior to the quarter ended May 31, 2019. 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 August 31, 2020				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
Sales	26,967	2,300	5,987	(509)	34,746
<b>Gross profit (GAAP)</b>	<b>5,456</b>	<b>832</b>	<b>515</b>	<b>—</b>	<b>6,803</b>
Transformational cost management	(1)	(1)	—	—	(2)
LIFO provision	6	—	—	—	6
Store damage and inventory losses <sup>2</sup>	(6)	—	—	—	(6)
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>5,455</b>	<b>831</b>	<b>515</b>	<b>—</b>	<b>6,801</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,797</b>	<b>\$ 964</b>	<b>\$ 449</b>	<b>\$ —</b>	<b>\$ 6,210</b>
Impairment of goodwill and intangible assets	—	(15)	—	—	(15)
Transformational cost management	(128)	(97)	(47)	—	(271)
Acquisition-related amortization	(77)	(17)	(19)	—	(113)
Acquisition-related costs	(18)	(1)	(6)	—	(25)
Store damage and inventory losses <sup>2</sup>	2	—	—	—	2
Store optimization	(5)	—	—	—	(5)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>4,572</b>	<b>833</b>	<b>377</b>	<b>—</b>	<b>5,782</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 659</b>	<b>\$ (132)</b>	<b>\$ 124</b>	<b>\$ —</b>	<b>\$ 650</b>
Impairment of goodwill and intangible assets	—	15	—	—	15
Transformational cost management	127	96	47	—	269
Acquisition-related amortization	77	17	19	—	113
Acquisition-related costs	18	1	6	—	25
Adjustments to equity earnings in AmerisourceBergen	—	—	49	—	49
LIFO provision	6	—	—	—	6
Store damage and inventory losses <sup>2</sup>	(7)	—	—	—	(7)
Store optimization	5	—	—	—	5
<b>Adjusted operating income (loss) (Non-GAAP measure)</b>	<b>\$ 884</b>	<b>\$ (3)</b>	<b>\$ 245</b>	<b>\$ —</b>	<b>\$ 1,126</b>
Gross margin (GAAP)	20.2 %	36.2 %	8.6 %		19.6 %
Adjusted gross margin (Non-GAAP measure)	20.2 %	36.1 %	8.6 %		19.6 %
Selling, general and administrative expenses percent to sales (GAAP)	17.8 %	41.9 %	7.5 %		17.9 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.0 %	36.2 %	6.3 %		16.6 %
Operating margin (GAAP) <sup>3</sup>	2.4 %	(5.8)%	1.1 %		1.7 %
Adjusted operating margin (Non-GAAP measure) <sup>3</sup>	3.3 %	(0.1)%	2.3 %		2.9 %

<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 and twelve month period ended August 31, 2020 includes AmerisourceBergen equity earnings for the period of April 1, 2020 through June 30, 2020 and July 1, 2019 through June 30, 2020, respectively. Operating income for the three and nine month period ended August 31, 2019 includes AmerisourceBergen equity earnings for the period of April 1, 2019 through June 30, 2019 and July 1, 2018 through June 30, 2019, respectively.

<sup>2</sup> Store damage and inventory losses as a result of looting in the U.S., net of insurance recoveries.

<sup>3</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 August 31, 2019

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
Sales	26,040	2,703	5,742	(532)	33,954
<b>Gross profit (GAAP)</b>	<b>5,631</b>	<b>1,104</b>	<b>492</b>	—	<b>7,228</b>
Transformational cost management	—	3	—	—	3
Acquisition-related costs	13	—	—	—	13
Store optimization	5	—	—	—	5
LIFO provision	60	—	—	—	60
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>5,710</b>	<b>1,107</b>	<b>492</b>	—	<b>7,309</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,932</b>	<b>\$ 1,055</b>	<b>\$ 421</b>	—	<b>\$ 6,408</b>
Impairment of goodwill and intangible assets	—	(73)	—	—	(73)
Acquisition-related amortization <sup>2</sup>	(78)	(24)	(19)	—	(121)
Transformational cost management	(130)	(42)	(36)	—	(208)
Acquisition-related costs	(58)	(3)	(1)	—	(62)
Store optimization	(91)	—	—	—	(91)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>4,574</b>	<b>913</b>	<b>364</b>	—	<b>5,852</b>
<b>Operating income (GAAP)</b>	<b>\$ 700</b>	<b>\$ 49</b>	<b>\$ 129</b>	<b>\$ —</b>	<b>\$ 878</b>
Impairment of goodwill and intangible assets	—	73	—	—	73
Acquisition-related amortization <sup>2</sup>	78	24	19	—	121
Transformational cost management	130	46	36	—	212
Acquisition-related costs	72	3	1	—	75
Adjustments to equity earnings in AmerisourceBergen	—	—	42	—	42
LIFO provision	60	—	—	—	60
Store optimization	97	—	—	—	97
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 1,135</b>	<b>\$ 194</b>	<b>\$ 229</b>	<b>\$ —</b>	<b>\$ 1,558</b>
Gross margin (GAAP)	21.6 %	40.8 %	8.6 %		21.3 %
Adjusted gross margin (Non-GAAP measure)	21.9 %	41.0 %	8.6 %		21.5 %
Selling, general and administrative expenses percent to sales (GAAP)	18.9 %	39.0 %	7.3 %		18.9 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.6 %	33.8 %	6.3 %		17.2 %
Operating margin (GAAP) <sup>3</sup>	2.7 %	1.8 %	1.2 %		2.4 %
Adjusted operating margin (Non-GAAP measure) <sup>3</sup>	4.4 %	7.2 %	2.2 %		4.3 %

<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 and twelve month period ended August 31, 2020 includes AmerisourceBergen equity earnings for the period of April 1, 2020 through June 30, 2020 and July 1, 2019 through June 30, 2020, respectively. Operating income for the three and nine month period ended August 31, 2019 includes AmerisourceBergen equity earnings for the period of April 1, 2019 through June 30, 2019 and July 1, 2018 through June 30, 2019, respectively.

<sup>2</sup> Excludes impairment of \$73 million for indefinite-lived pharmacy licenses intangible asset recorded during the three months ended August 31, 2019, in the Boots reporting unit within the Retail Pharmacy International segment, presented within 'Impairment of goodwill and intangible assets'.

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



Walgreens Boots Alliance

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# Reconciliation of Non-GAAP financial measures

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

Twelve months ended August 31, 2020

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 107,701	\$ 10,004	\$ 23,958	\$ (2,126)	\$ 139,537
<b>Gross profit (GAAP)</b>	<b>\$ 22,211</b>	<b>\$ 3,741</b>	<b>\$ 2,063</b>	<b>\$ 2</b>	<b>\$ 28,017</b>
Transformational cost management	3	2	—	—	5
Acquisition-related costs	67	—	—	—	67
LIFO provision	95	—	—	—	95
Store damage and inventory losses <sup>2</sup>	54	—	—	—	54
Store optimization	1	—	—	—	1
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 22,432</b>	<b>\$ 3,744</b>	<b>\$ 2,063</b>	<b>\$ 2</b>	<b>\$ 28,240</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 19,515</b>	<b>\$ 5,858</b>	<b>\$ 1,672</b>	<b>\$ —</b>	<b>\$ 27,045</b>
Impairment of goodwill and intangible assets	(32)	(1,984)	—	—	(2,016)
Transformational cost management	(538)	(184)	(67)	—	(788)
Acquisition-related amortization	(309)	(75)	(77)	—	(461)
Acquisition-related costs	(238)	(2)	(8)	—	(249)
Store damage and inventory losses <sup>2</sup>	(13)	—	—	—	(13)
Store optimization	(52)	—	—	—	(52)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 18,333</b>	<b>\$ 3,613</b>	<b>\$ 1,521</b>	<b>\$ —</b>	<b>\$ 23,467</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 2,696</b>	<b>\$ (2,117)</b>	<b>\$ 732</b>	<b>\$ 2</b>	<b>\$ 1,312</b>
Impairment of goodwill and intangible assets	32	1,984	—	—	2,016
Transformational cost management	540	186	67	—	793
Acquisition-related amortization	309	75	77	—	461
Acquisition-related costs	306	2	8	—	316
Adjustments to equity earnings in AmerisourceBergen	—	—	97	—	97
LIFO provision	95	—	—	—	95
Store damage and inventory losses <sup>2</sup>	68	—	—	—	68
Store optimization	53	—	—	—	53
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 4,099</b>	<b>\$ 130</b>	<b>\$ 980</b>	<b>\$ 2</b>	<b>\$ 5,211</b>
Gross margin (GAAP)	20.6 %	37.4 %	8.6 %		20.1 %
Adjusted gross margin (Non-GAAP measure)	20.8 %	37.4 %	8.6 %		20.2 %
Selling, general and administrative expenses percent to sales (GAAP)	18.1 %	58.6 %	7.0 %		19.4 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.0 %	36.1 %	6.3 %		16.8 %
Operating margin (GAAP) <sup>3</sup>	2.5 %	(21.2)%	1.6 %		0.7 %
Adjusted operating margin (Non-GAAP measure) <sup>3</sup>	3.8 %	1.3 %	2.3 %		3.4 %

<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 and twelve month period ended August 31, 2020 includes AmerisourceBergen equity earnings for the period of April 1, 2020 through June 30, 2020 and July 1, 2019 through June 30, 2020, respectively. Operating income for the three and nine month period ended August 31, 2019 includes AmerisourceBergen equity earnings for the period of April 1, 2019 through June 30, 2019 and July 1, 2018 through June 30, 2019, respectively.

<sup>2</sup> Store damage and inventory losses as a result of looting in the U.S., net of insurance recoveries.

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



Walgreens Boots Alliance

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# Reconciliation of Non-GAAP financial measures

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

Twelve months ended August 31, 2019

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 104,532	\$ 11,462	\$ 23,053	\$ (2,180)	\$ 136,866
<b>Gross profit (GAAP)</b>	<b>23,511</b>	<b>4,522</b>	<b>2,041</b>	<b>2</b>	<b>30,076</b>
Transformational cost management	—	45	—	—	45
Acquisition-related costs	63	—	—	—	63
Store optimization	8	—	—	—	8
LIFO provision	136	—	—	—	136
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 23,718</b>	<b>\$ 4,567</b>	<b>\$ 2,041</b>	<b>\$ 2</b>	<b>\$ 30,328</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 19,424</b>	<b>\$ 4,084</b>	<b>\$ 1,734</b>	<b>\$ —</b>	<b>\$ 25,242</b>
Impairment of goodwill and intangible assets	—	(73)	—	—	(73)
Acquisition-related amortization <sup>2</sup>	(315)	(100)	(78)	—	(493)
Transformational cost management	(189)	(89)	(155)	—	(432)
Acquisition-related costs	(237)	(3)	(1)	—	(241)
Store optimization	(189)	—	—	—	(189)
Certain legal and regulatory accruals and settlements	(31)	—	—	—	(31)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 18,464</b>	<b>\$ 3,819</b>	<b>\$ 1,499</b>	<b>\$ —</b>	<b>\$ 23,783</b>
<b>Operating income (GAAP)</b>	<b>\$ 4,088</b>	<b>\$ 438</b>	<b>\$ 471</b>	<b>\$ 1</b>	<b>\$ 4,998</b>
Impairment of goodwill and intangible assets	—	73	—	—	73
Acquisition-related amortization <sup>2</sup>	315	100	78	—	493
Transformational cost management	189	133	155	—	477
Acquisition-related costs	300	3	1	—	303
Adjustments to equity earnings in AmerisourceBergen	—	—	233	—	233
LIFO provision	136	—	—	—	136
Store optimization	196	—	—	—	196
Certain legal and regulatory accruals and settlements	31	—	—	—	31
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 5,255</b>	<b>\$ 747</b>	<b>\$ 939</b>	<b>\$ 1</b>	<b>\$ 6,942</b>
Gross margin (GAAP)	22.5 %	39.5 %	8.9 %		22.0 %
Adjusted gross margin (Non-GAAP measure)	22.7 %	39.8 %	8.9 %		22.2 %
Selling, general and administrative expenses percent to sales (GAAP)	18.6 %	35.6 %	7.5 %		18.4 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.7 %	33.3 %	6.5 %		17.4 %
Operating margin (GAAP) <sup>3</sup>	3.9 %	3.8 %	1.3 %		3.5 %
Adjusted operating margin (Non-GAAP measure) <sup>3</sup>	5.0 %	6.5 %	2.4 %		4.8 %

<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 and twelve month period ended August 31, 2020 includes AmerisourceBergen equity earnings for the period of April 1, 2020 through June 30, 2020 and July 1, 2019 through June 30, 2020, respectively. Operating income for the three and nine month period ended August 31, 2019 includes AmerisourceBergen equity earnings for the period of April 1, 2019 through June 30, 2019 and July 1, 2018 through June 30, 2019, respectively.

<sup>2</sup> Excludes impairment of \$73 million for indefinite-lived pharmacy licenses intangible asset recorded during the three months ended August 31, 2019, in the Boots reporting unit within the Retail Pharmacy International segment, presented within 'Impairment of goodwill and intangible assets'.

<sup>3</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

## EQUITY EARNINGS IN AMERISOURCEBERGEN

	Three months ended August 31,		Twelve months ended August 31,	
	2020	2019	2020	2019
<b>Equity earnings in AmerisourceBergen (GAAP)</b>	\$ 57	\$ 59	\$ 341	\$ 164
Acquisition-related amortization	29	30	120	125
Asset Impairment	—	(1)	75	129
Litigation settlements and other	12	12	70	9
LIFO provision	1	(2)	21	—
PharMEDium remediation costs	3	4	16	16
Loss on early retirement of debt	5	—	5	—
Gain on sale of equity investment	—	—	—	(3)
U.S. tax law changes	—	—	—	(17)
Other	(1)	—	(1)	—
Anti-Trust	—	—	(2)	(28)
Certain discrete tax benefits	—	—	(206)	—
<b>Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 106</b>	<b>\$ 101</b>	<b>\$ 437</b>	<b>\$ 397</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 August 31, 2020			Three months ended August 31, 2019		
	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)	\$ 537	\$ 208	38.7 %	\$ 708	\$ 26	3.7 %
Impact of non-GAAP adjustments	472	88		688	111	
U.S. tax law changes	—	—		—	5	
Equity method non-cash tax	—	(8)		—	(9)	
UK tax rate change	—	(139)		—	—	
Adjusted tax rate true-up	—	10		—	(8)	
<b>Subtotal</b>	<b>\$ 1,009</b>	<b>\$ 158</b>		<b>\$ 1,396</b>	<b>\$ 125</b>	
Exclude adjusted equity earnings in AmerisourceBergen	(106)	—		(101)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 902</b>	<b>\$ 158</b>	<b>17.6 %</b>	<b>\$ 1,295</b>	<b>\$ 125</b>	<b>9.6 %</b>

## ADJUSTED EFFECTIVE TAX RATE

	Twelve months ended August 31, 2020			Twelve months ended August 31, 2019		
	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)	\$ 743	\$ 360	48.5 %	\$ 4,527	\$ 588	13.0 %
Impact of non-GAAP adjustments	3,958	458		1,789	291	
U.S. tax law changes	—	6		—	8	
Equity method non-cash tax	—	(60)		—	(18)	
UK tax rate change	—	(139)		—	—	
<b>Subtotal</b>	<b>\$ 4,701</b>	<b>\$ 625</b>		<b>\$ 6,316</b>	<b>\$ 870</b>	
Exclude adjusted equity earnings in AmerisourceBergen	(437)	—		(397)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 4,264</b>	<b>\$ 625</b>	<b>14.7 %</b>	<b>\$ 5,919</b>	<b>\$ 870</b>	<b>14.7 %</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,	
	2020	2019	2020	2019
Net cash provided by operating activities (GAAP)	\$ 2,086	\$ 2,378	\$ 5,484	\$ 5,594
Less: Additions to property, plant and equipment	(411)	(456)	(1,374)	(1,702)
<b>Free cash flow (Non-GAAP measure)<sup>1</sup></b>	<b>\$ 1,675</b>	<b>\$ 1,923</b>	<b>\$ 4,111</b>	<b>\$ 3,892</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.



# Currency sensitivity

<b>Exchange Rates/Impact (constant currency based on FY20)</b>	<b>FY20</b>	<b>FY21</b>
<b>GBP/USD</b>	<b>1.27</b>	<b>1.29</b>
<b>EUR/USD</b>	<b>1.11</b>	<b>1.15</b>
<b>TRY/USD</b>	<b>0.16</b>	<b>0.14</b>
<b>Fx Sales Impact vs. FY20</b>		<b>~\$275m / ~0.2%</b>
<b>Fx Adj. Operating Income Impact vs. FY20</b>		<b>~\$0m / ~0.0%</b>
<b>Fx Adj. EPS Impact vs. FY20</b>		<b>~\$0.01 / ~0.1%</b>

- Every 1% move in GBP/USD has ~\$145m impact to WBA group sales
- Every 1% move in EUR/USD has ~\$130m impact to WBA group sales
- Every 10% move in TRY/USD has ~\$225m impact to WBA group sales

