

31-Jan-2019

McKesson Corp. (MCK)

Q3 2019 Earnings Call

CORPORATE PARTICIPANTS

Craig Mercer

Senior Vice President-Investor Relations, McKesson Corp.

John H. Hammergren

Chairman & Chief Executive Officer, McKesson Corp.

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Britt Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

OTHER PARTICIPANTS

Ross Muken

Analyst, Evercore ISI

James Auh

Analyst, Cowen & Co. LLC

Lisa C. Gill

Analyst, JPMorgan Securities LLC

Eric Percher

Analyst, Nephron Research LLC

Brian Gil Tanquilut

Analyst, Jefferies LLC

Michael Cherny

Analyst, Bank of America Merrill Lynch

David Larsen

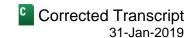
Analyst, Leerink Partners LLC

Ricky R. Goldwasser

Analyst, Morgan Stanley & Co. LLC

Robert Patrick Jones

Analyst, Goldman Sachs & Co. LLC



MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen and welcome to today's McKesson Q3 earnings call. I'd like to remind everyone this call is being recorded, and at this time I'll turn the floor over to Craig Mercer. Go ahead, sir.

Craig Mercer

Senior Vice President-Investor Relations, McKesson Corp.

Thank you, Greg. Good afternoon and welcome to the McKesson's fiscal 2019 third quarter earnings call. I'm joined today by John Hammergren, McKesson's Chairman and CEO; Brian Tyler, McKesson's President and Chief Operating Officer and Incoming CEO; and Britt Vitalone, McKesson's Executive Vice President and Chief Financial Officer.

John will provide opening remarks, Brian will provide a business update and Britt will review the financial results for the quarter. After Britt's comments, we will open the call for your questions. We plan to end the call promptly after one hour at 3:00 P.M. Eastern Time.

Before we begin, I'll remind listeners that during the course of this call, we will make forward-looking statements within the meaning of the federal securities laws. These forward-looking statements involve risks and uncertainties regarding the operations and future results of McKesson. In addition to the company's periodic, current and annual reports filed with the Securities and Exchange Commission, please refer to the text of our press release and forward-looking statement slide for a discussion of the risks associated with such forward-looking statements.

Please note that on today's call we will refer to certain non-GAAP financial measures. In particular, we will reference adjusted earnings, adjusted operating profit and margins, and free cash flow and items excluding foreign currency exchange effects. We believe these non-GAAP measures provide useful information for investors with regard to the company's operating performance and comparability of financial results period-over-period.

Please refer to our press release announcing third quarter fiscal 2019 results and the supplemental slide presentation for further information and a reconciliation of the non-GAAP performance measures to the GAAP financial results. The supplemental presentation is useful when reviewing the fiscal 2019 versus fiscal 2018 results discussed today.

Finally, for those who've not yet met her, I would like to introduce Holly Weiss. Holly Weiss was recently appointed Senior Vice President of Investor Relations. My transition to Holly will be completed ahead of our year-end earnings call. On a personal note, I would like to thank John, Brian and Britt, as well as the investment community for the opportunity to work with everyone over the last few years.

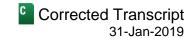
And with that, thank you. And here is John Hammergren.

John H. Hammergren

Chairman & Chief Executive Officer, McKesson Corp.

Thanks, Craig. And as you're probably aware, as he just mentioned it, this is his last earnings call. I want to thank you, Craig, for your invaluable service to our team over many years and in various roles and I wish you the best in

Q3 2019 Earnings Call



your future endeavors. And Holly, welcome as our new Head of Investor Relations. And thank you all for joining us on our call today.

This is my 79th earnings call with our investor community and this call also marks my final earnings call as the leader of McKesson. As you know, I previously announced my retirement which takes effect at the end of our fiscal year. We are making solid progress with our strategic growth initiative, and despite some headwinds the company is in a strong financial position. McKesson's future is bright.

It's been my great honor and privilege to lead this company as Chairman and CEO for nearly 20 years. Together, we've created an organization that plays a unique and significant role in healthcare. No one is better equipped than Brian to lead McKesson into the future. He's a gifted leader and an innovator, with deep industry knowledge and unwavering commitment to customer's success. He has a strong vision for the future of healthcare, both in the U.S. and globally, as well as for how McKesson will continue to play an integral role in helping to improve efficiency and effectiveness of patient care delivery.

Perhaps most important, Brian personifies our ICARE shared principles. In fact, he helped me create them He was a member of my leadership team nearly 20 years ago. Throughout his tenure at McKesson he's always placed the enterprise first, focused on teamwork, collaboration and communication, and has consistently made employee engagement a high priority. I know that Brian is the right leader to take McKesson into the future.

In addition, I might add, he's a great husband and a father, as well as a friend and a trusted advisor of mine. With my retirement, McKesson will be splitting the role of Chairman and CEO. Ed Mueller, our current Lead Independent Director will become McKesson's new Independent Chairman effective April 1. Ed has developed a thorough understanding of McKesson over his 10-years of service and serves as a respected leader and will provide continuity for our board.

Over the balance of the fiscal year, the entire board and I will work closely with Brian and Ed to ensure a smooth transition. And after April 1, I will continue to support McKesson in an advisory capacity and I'll remain Chairman of the board of Change Healthcare.

I'll be forever grateful for the many things we've accomplished together as a team here at McKesson and for the incredible friendships I've made along the way. McKesson is truly a special place with our rich history, innovation, culture, and most important, our people. Every day I'm humbled by the opportunity to lead this great organization, and together with our employees, make a positive impact across healthcare.

I might also mention that with many of you I've worked for years and I want to thank you for your support over all of these years and your friendship in some cases. You've always treated us with great respect. You've asked tough questions, but fair questions and we've attempted to be as transparent as we possibly can. So I appreciate the support, and with that, I'll turn the call over to Brian. Brian?

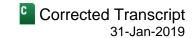
Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Thank you, John and good afternoon everyone. I want to be the first, probably of many, to recognize and congratulate John for the lasting impact he has had on McKesson. He and I, as he mentioned, have been colleagues and friends for a long time, and I am truly humbled by the opportunity to succeed him as McKesson's CEO.



Q3 2019 Earnings Call



His leadership and vision for the past 20 years has allowed McKesson to achieve a level of success that few companies ever accomplish. I'm excited to build upon his legacy. I've had the privilege of running nearly every major business in McKesson, as well as leading our corporate strategy function. I know our teams, I know our capabilities, our markets, our customers, and importantly, our employees well.

To lead McKesson at this point in time is energizing and I look forward to advancing the tremendous culture, solid foundation and global platform established by John and his team. The healthcare industry continues to undergo change as we focus on addressing affordability, access and quality outcomes for patients. I'm confident that McKesson is the partner of choice for biopharma, providers and pharmacies in all segments across healthcare, to help improve the delivery of health in our communities.

As I mentioned on our last earnings call, our strategic growth initiatives are gaining momentum. Most of the top leaders within McKesson were involved in developing our strategy to accelerate growth, supported by cost savings initiatives and operating model efficiencies, like our recently-announced headquarters move to Las Colinas. To succeed in today's evolving market, we will need to find new ways to innovate, speed up decision-making and empower our teams so that we can provide even better value to our customers and patients everywhere.

More than 20 years ago, John helped guide our company through a time of crisis and showed us what leadership and resilience looked like. Fast forward to today, and McKesson's success can be seen both by the financial health of the company and our culture of doing what's right and putting the patient first.

I believe our culture truly is a competitive strength of McKesson. We thank you for that culture, John. We thank you for your tremendous leadership and accomplishments. On behalf of all 78,000 employees, we extend a very big thank you, a very big congratulations, and of course, just huge wishes for happiness in whatever is next for you. You will be missed greatly. You'll always be warmly remembered and regarded.

Now, turning to the quarter. For the third quarter, we achieved total company revenues of \$56 billion and adjusted earnings per diluted share of \$3.40, which were ahead of our expectations. As a result, we are narrowing our fiscal 2019 adjusted earnings per diluted share range to \$13.45 to \$13.65 from the previous range of \$13.20 to \$13.80. We have reduced the top-end of our guide to reflect the \$0.26 impact of a customer bankruptcy that Britt will discuss in more detail, and we have raised the lower-end of our guide based on the solid Q3 results and early indicators of our fourth quarter performance.

A few comments on our business results. Our U.S. Pharmaceutical and Specialty Solutions segment had year-over-year revenue growth in the third quarter of 6%. Last month, Rite Aid renewed their distribution and sourcing relationship with us for another 10 years, as we had contemplated in our guidance. We're, of course, pleased that Rite Aid continues to see the value we deliver in our partnership through our industry-leading service levels, which translates to better experiences for their patients and customers, through our competitive pricing and through our efficient operating model. All of this helps them to succeed and their decision further validates our sourcing scale and service levels following Rite Aid's extensive and competitive evaluation process.

As it relates to reform, we continue to monitor proposals and share our perspective and collaborate with the administration, policymakers and trade associations, and we have been in discussions with our biopharma partners and customers on opportunities to address the shared concerns of the administration around affordability, access and quality. As the administration implements new strategies that transition from volume to value-based reimbursements, we regularly demonstrate our ability to support our customers and improve patient care delivery.

As a recent example, The US Oncology Network received incremental payments from both the Oncology Care Model and the Merit-Based Incentive Payment System, sometimes referred to as MIPS, reflecting the value we provide to our physician partners. We, at McKesson, continue to believe that community-based care is the best way to address these goals and that value-based care models are important tools to drive improved patient outcomes. We expect that as various reimbursement changes are considered, the value of community-based care will continue to be recognized.

Now turning to McKesson Europe. In the third quarter, we appointed Kevin Kettler, a 13-year McKesson veteran, as Chairman of the management board of McKesson Europe. Kevin previously was President of Global Procurement and Sourcing. He managed the international team responsible for growing McKesson's private-label generics business, which is a priority in Europe. Additionally, Kevin served in multiple leadership roles and corporate strategy in U.S. Pharma over the years. He brings deep experience in pharmaceutical distribution, procurement, marketing and retail pharmacy to his new role in Europe.

Let me provide some color on Europe's operating performance in the quarter. Seasonality and market growth in all countries except the UK drove an improved sequential and year-over-year performance. While most of Europe continues to perform well and grow, the UK business does face challenges. The actions we took last year to rationalize our store footprint and streamline our back-office operations only partially mitigated the UK government cuts.

We previously mentioned the prior reimbursement cuts in the UK were in excess of historical levels and greater than we had planned for in our initial fiscal 2019 guidance. We're currently evaluating the recently-released NHS long-term plan and we're modestly encouraged by the general increase in healthcare funding that it proposes. While we're pleased to see the important role of pharmacy in the plan, we believe it's premature to expect a nearterm return to growth, particularly given the generally weak retail environment and the uncertainties of Brexit.

The UK team is working closely with internal and external stakeholders to evaluate the government dynamics and operating environment, making further changes intended to return the business to growth. We remain committed to ensuring the long-term profitability of this business.

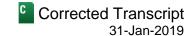
Now, some comments on our Medical-Surgical business. Medical-Surgical continues to be a real good story for us, reflecting strong market growth, incremental scale from our recent MSD acquisition, and benefits from an ongoing shift to lower-cost sites of care. I'm particularly pleased with the segment's performance this quarter, especially when comparing the more normalized flu season experienced so far this year against the unusually strong flu season last year.

And looking further ahead, we continue to expect incremental synergies from our MSD acquisition as we integrate operations. This acquisition directly supports our strategic growth objectives of increasing our value proposition for our manufacturer partners and expanding our solutions related to specialty pharmaceuticals.

Finally, McKesson Canada. McKesson Prescription Technology Solutions and our equity investment in Change Healthcare, all included in Other, saw upside in the quarter driven by organic growth and mitigating actions in Canada to address previously-discussed government generic price actions.

During the quarter, McKesson Canada continued its progress on mitigating the impact of government-imposed generic pricing cuts that went into effect April 1, 2018 and together with strong organic growth in our McKesson Prescription Technology Solutions business, we were able to offset slightly lower adjusted equity contribution from

Q3 2019 Earnings Call



Change Healthcare. And specifically regarding Change, as we've mentioned before, to the extent market conditions are suitable, we continue to expect an IPO in the first half of calendar 2019.

Before I turn it over to Britt to provide more detail on the performance of each of these businesses, I wanted to spend a minute just to discuss the opioid litigation and epidemic. As it relates to litigation, the timing for a conclusion of the myriad of cases remains uncertain. The magnitude of litigation expense is determined in part by the schedule set in these cases and underlying activity, which is not in our control, and therefore, difficult for us to project. We do take our fiduciary responsibility to our shareholders seriously. We will continue to evaluate the cost of all our options as the litigation in different jurisdictions progresses.

We were encouraged by a recent decision dismissing the claims of 21 municipalities in Connecticut, finding the lawsuit to be inappropriate means to recover societal costs associated with addiction. As for the ongoing epidemic, I, as many of you, am sure are deeply concerned about the devastating impact it's having on the lives of so many people, including friends and families of McKesson. Our teams are working on solutions.

Last year, Congress passed a SUPPORT Act to address electronic prescribing, electronic prior authorization, as well as some provisions related to ARCOS data, opioid production quotas and suspicious orders. Many of the provisions mirror recommendations previously made in our opioid white paper. We also launched an Opioid Foundation that will focus on helping advance solutions to the nation's opioid crisis and is led by a distinguished physician with relevant public policy and addiction treatment experience. I'm very proud of McKesson's efforts to combat this epidemic and to support solutions for the future.

With that, I'll turn the call over to Britt and will return to address your questions when he finishes. Britt?

Britt Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

Thank you, Brian and good afternoon. Today my comments will focus solely on our third quarter results and fiscal 2019 guidance. We will provide guidance for fiscal 2020 when we report fourth quarter results in May.

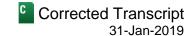
As Brian discussed earlier, we are pleased with our fiscal 2019 third quarter results, which were ahead of our expectations. We continue to make very good progress on our strategic growth initiatives, operating model and cost optimization programs. As a result of this performance, we are narrowing our fiscal 2019 adjusted earnings outlook to \$13.45 to \$13.65 per diluted share in fiscal 2019 from the previous range of \$13.20 to \$13.80 per diluted share.

Let's jump right into our third quarter results. Third quarter adjusted EPS of \$3.40 was flat compared to the prioryear, which was primarily driven by a lower share count and growth in our Medical-Surgical business, offset by a higher tax rate, lower profit contribution from our U.S. Pharmaceutical business and higher corporate expenses.

Let me take a minute to discuss tax. As it relates to the higher tax rate compared to the prior year, I'd remind you that our adjusted tax rate in the third quarter of fiscal 2018 of 11.5% included discrete tax benefits of approximately \$54 million, as well as a cumulative catch-up adjustment related to the Tax Cuts and Jobs Act of 2017 to reflect the new lower federal tax rate of 21%. In addition, McKesson's fiscal 2018 adjusted tax rate was positively impacted by the inter-company sale of software, related to our former Technology Solutions segment in the third quarter of fiscal 2017.

Now let's turn to details of our consolidated third quarter adjusted earnings, which can be found on slide 10. Consolidated revenues for the third quarter increased 5% versus the prior period, primarily driven by growth in our

Q3 2019 Earnings Call



U.S. Pharmaceutical and Specialty Solutions segment and acquisitions. We now anticipate low-single-digit-percent consolidated revenue growth.

Third quarter adjusted gross profit was up 5% year-over-year, mainly driven by growth in our Medical-Surgical and U.S. Pharmaceutical and Specialty Solutions segments, including acquisitions. Third quarter adjusted operating expenses were up 8% year-over-year, due to charges related to the bankruptcy of Shopko within our U.S. Pharmaceutical and Specialty Solutions segment, and acquisitions, partially offset by the reversal of an accrual related to the State of New York Opioid Stewardship Act and ongoing cost management.

Let me take a moment to provide more detail on the customer bankruptcy and the reversal of the New York accrual. First, we recorded \$60 million in pre-tax charges principally related to accounts receivable with Shopko, who recently filed for bankruptcy. This amount represents substantially all the exposure related to this customer. We believe this would correlate to an approximate \$0.03 impact to the fourth guarter.

While we took steps to manage payment terms and we worked closely with Shopko to ensure we were paid for the products and services delivered, we believe there is risk in our ability to secure full payment and therefore recorded charges during the quarter. We'll continue to pursue payment and will provide an update on our progress on our next earnings call.

Second, as I detailed on our last quarter's call, while the New York Opioid Stewardship Act was being challenged in court at that time, McKesson recorded an accrual in both our GAAP and adjusted results to account for our estimated portion of the annual assessment.

In mid-December, a district judge in New York ruled the legislation unconstitutional, and thus, unenforceable. As a result of this ruling, McKesson reversed all previously recorded charges totaling approximately \$17 million. We will continue to track this matter following an appeal filed earlier this month.

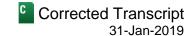
While we benefited from the favorable ruling and reversal of the charge for New York recorded in our U.S. Pharmaceutical and Specialty Solutions segment, it was more than offset by higher opioid-related litigation expenses in Corporate. For the third quarter, we recorded net opioid-related adjusted operating expense of \$20 million, and year-to-date, \$81 million. For fiscal 2019, we continue to anticipate that opioid-related costs will exceed \$100 million.

Turning back to our consolidated results. Adjusted income from operations was \$918 million for the quarter, a decrease of 2% from the prior year. We now anticipate adjusted income from operations will decline in the low-single digits year-over-year. Interest expense of \$67 million in the quarter was flat compared to the prior year and our adjusted tax rate was 15.3% for the quarter, mainly driven by discrete tax benefits of \$58 million resulting from tax planning initiatives and our mix of business.

For the full year, our adjusted tax rate assumption is approximately 17% to 19%. This guidance takes into account our latest assumptions regarding income mix, as well as other one-time items in fiscal 2019 that we do not expect to reoccur.

Income attributable to non-controlling interest was \$57 million for the quarter, a decrease of 2% compared to the prior year. Our adjusted net income from continuing operations totaled \$664 million, with third quarter adjusted earnings of \$3.40 per diluted share, which is flat compared to \$3.41 in the prior-year.

Q3 2019 Earnings Call



Wrapping up our consolidated results, our third quarter diluted weighted average shares were 195 million, a decrease of 6% year-over-year. During the quarter, we completed \$500 million of share repurchases and we continue to expect diluted weighted average shares of approximately 197 million for the year.

Next, I'll review our segment results which can be found on slides 11 through 14. And let me start now with U.S. Pharmaceutical and Specialty Solutions. Revenues were \$44.3 billion for the quarter, up 6%, driven by market growth, including strong growth in oncology-related pharmaceuticals and acquisitions, partially offset by previously disclosed customer losses and branded to generic conversions.

Segment adjusted operating profit for the quarter was down 2% to \$593 million, due to charges related to the customer bankruptcy discussed earlier and previously announced customer losses, partially offset by growth in our specialty business and the reversal of a charge related to the State of New York Opioid Stewardship Act. Excluding the impact of the customer bankruptcy related charge and the reversal of the charge related to the New York Opioid Stewardship Act, we would have seen year-over-year growth in segment adjusted operating profit for the quarter.

Segment adjusted operating margin rate was 134 basis points, a decrease of 10 basis points. For the third quarter, brand compensation was in line with our expectations. Additionally, based on manufacturer price actions taken in January, we continue to be confident in our full-year fiscal 2019 assumption of brand price inflation in the U.S. to be in the mid-single digit percentage range. I would remind you that our branded pharmaceutical contracts are primarily of a fixed rate in nature, and as a result, our brand compensation is less impacted by brand price increases when compared to our historical experience.

For full-year fiscal 2019, we now anticipate a low- to mid-single digit percentage decline in adjusted operating profit for the segment. This represents an improvement from our prior expectations driven by our third quarter operational performance.

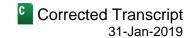
Next I'll review European Pharmaceutical Solutions. Revenues were \$6.9 billion for the quarter, down 1%, negatively impacted by \$228 million from currency rate movements. On an FX-adjusted basis, revenues were up 2%, driven by strong performance outside of the UK, partially offset by the previously disclosed reduction in owned retail pharmacies, following the closure or divestiture of approximately 200 stores and a challenging operating environment in the U.K.. We now anticipate full-year revenue for this segment will be flat compared to fiscal 2018.

Segment adjusted operating profit was down 19% to \$69 million. On an FX adjusted basis, adjusted operating profit was down 16% to \$71 million. While our UK business was lower than the prior year, driven largely by the impact of the previously announced additional reimbursement cuts and market conditions in our retail business, the rest of Europe performed well, reflecting growth on a year-over-year and sequential basis.

The segment adjusted operating margin rate was 99 basis points on a constant currency basis, a decrease of 23 basis points. We continue to expect adjusted operating profit to decline year-over-year and the second-half fiscal 2019 contribution similar to what was recorded in the first half of the year.

Moving now to Medical-Surgical Solutions. Revenues were \$2 billion for the quarter, up 19%, driven by the Medical Specialty Distributors or MSD acquisition and solid market growth. Excluding the MSD acquisition, segment revenue was up 8%. Segment adjusted operating profit for the quarter was up 21% to \$170 million, driven by solid operational performance, contribution from the MSD acquisition, improved cost of goods and

Q3 2019 Earnings Call



operating expense leverage. The segment adjusted operating margin rate was 845 basis points, an increase of 12 basis points.

We now anticipate that the segment adjusted operating profit for fiscal 2019 will be at the high-end of our previously provided range of mid- to high-single digit percentage growth.

Finishing our business review with Other, revenues were \$3 billion for the quarter, up 1%. Revenues were negatively impacted by a \$113 million from currency rate movements. On an FX adjusted basis, revenues were up 5%, driven primarily by market growth across the businesses in this segment. We now anticipate that full-year revenues will be flat year-over-year.

Other adjusted operating profit was up 5% to \$224 million. On an FX adjusted basis, adjusted operating profit was \$226 million, driven by growth in our Prescription Technology Solutions business, or MRxTS, partially offset by the impact of previously disclosed government initiatives on our Canadian business. We now anticipate that adjusted operating profit will grow in the mid-single digits year-over-year, driven by the stronger-than-projected contribution from MRxTS.

Closing our segment review with Change Healthcare. Adjusted equity income from Change Healthcare was \$52 million for the quarter. As the company continues to make focused internal investments to expand new technologies, to enhance systems and to deliver on synergy realization, we remain pleased with the operating performance of the business, which is in line with our expectations, and subject to market conditions, we continue to expect a calendar first-half IPO.

Next, McKesson recorded \$138 million in adjusted corporate expenses, an increase of 29% in constant currency year-over-year, driven primarily by opioid-related expenses. Due to higher-than-anticipated opioid-related expenses, we now expect adjusted corporate expenses to increase by a high-single digit percentage year-over-year.

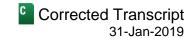
Now that I've wrapped up our results, let me discuss our updated fiscal 2019 outlook. We now expect adjusted earnings per diluted share of \$13.45 to \$13.65 per diluted share for fiscal 2019.

Our updated outlook reflects the following: stronger-than-anticipated underlying performance in our U.S. Pharmaceutical and Specialty Solutions segment, which includes a favorable ruling on the New York Opioid Stewardship Act; outperformance in our Medical-Surgical segment; and continued growth within our MRxTS business.

These positive developments are partially offset by the customer bankruptcy I previously discussed, higher opioid-related litigation expenses, and an updated assumption that foreign currency exchange rate movements will have a negative impact of up to \$0.05 per diluted share. We are well-positioned to continue to execute in our fourth quarter.

I'll now review our working capital metrics and cash flow, which can be found on slide 15. For receivables, day sales outstanding decreased 3 days to 24 days. Day sales in inventory decreased 1 day to 29 days. And days payables outstanding decreased 4 days from the prior year to 54 days. I'd remind you that our working capital metrics and the resulting cash flow may be impacted by timing, including the day of the week that marks the close of a given quarter.

Q3 2019 Earnings Call



We ended the quarter with a cash balance of \$1.8 billion. For the first nine-months of the fiscal year, McKesson paid \$866 million for acquisitions, repurchased approximately \$1.4 billion in common stock, and paid \$216 million in dividends.

During the quarter, McKesson issued \$1.1 billion in long-term debt, which will be substantially used to repay an upcoming debt maturity and we had approximately \$1 billion in short-term borrowings outstanding at quarter-end.

McKesson generated \$141 million in cash flow from operations. After deducting \$405 million in internal capital investments, McKesson had negative free cash flow of \$264 million. This result was in line with our expectations. In fiscal 2019, we now expect internal capital investments at the low-end of our previous range, between \$600 million and \$800 million, and free cash flow of approximately \$3 billion.

I would remind you that typically during our fiscal third quarter, we experience a net use of cash, primarily driven by the build in inventory for the holiday season. In addition, in our fiscal fourth quarter, we typically generate more than two-thirds of our annual operating cash flow, with more than \$3 billion generated in our final quarter in two of the past three years.

We also have a total of \$3.7 billion remaining on our share repurchase authorization, which demonstrates the confidence that we have in our business going forward and the conviction that the board of directors and the management team have that the company shares are an attractive investment opportunity. And finally, our board of directors approved our quarterly dividend of \$0.39 yesterday, which will be payable to shareholders in April.

Year-to-date fiscal 2019 we've returned more than \$1.6 billion to our shareholders via share repurchases and dividends reflecting our focus on providing returns to our shareholders, while also making internal investments and acquisitions to support our long-term growth.

Let me now take a minute to update you on the optimization of our operating model and cost structure. As we announced earlier this month, McKesson has expanded its relationship with Genpact, the global professional services firm focused on delivering process transformation. The expanded relationship will accelerate McKesson's operating model and cost structure program redesign, which will simplify and standardize finance processes while deploying leading-edge technologies that will drive improved effectiveness, efficiency and savings.

This partnership, in combination with other finance operating initiatives, is expected to contribute up to one-quarter of the previously-announced annual gross pre-tax savings of \$300 million to \$400 million, which are anticipated to be substantially delivered by the end of fiscal 2021. We expect that these savings will increase gradually over time and then a majority of these savings will flow to the bottom line.

In closing, we're very pleased with the results of our fiscal third quarter performance and the progress against our strategic priorities. Despite an unanticipated customer charge, our results exceeded our expectations, demonstrating our commitment to operational execution. Following solid third quarter performance, we now anticipate fiscal 2019 adjusted earnings per share of \$13.45 to \$13.65 per diluted share. We look to build on the momentum of our third quarter and remain confident in our business as we focus on a strong finish to fiscal 2019.

Lastly, I'd also like to thank John for his outstanding leadership. We're very fortunate to have worked with an incredible leader. John has done a tremendous job leading the company for nearly 20 years. As we now turn the page to Brian, I'd echo John's comments that you've made in the press release today. We're well-positioned and I believe we're in very strong hands going forward with Brian.

With that, I'll turn the call over to the operator for your questions. In the interest of time, I ask that you limit yourself to just one question and a brief follow-up to allow others an opportunity to participate. Operator?

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] First from Evercore ISI, we have Ross Muken.

Ross Muken

Analyst, Evercore ISI

Good afternoon, guys. And again, John, congrats. It's been a pleasure working with you over the years. So I know you probably haven't had a ton of time to kind of digest and prepare, but there obviously was a number of things that came out after hours from HHS around rebates and anti-kickback. And so it looks like they're trying to push forward with some of the proposals we heard earlier in the year. I guess at a high-level, I know this is something you feel strongly, you can sort of recoup the economics of it that goes into place, but I guess how are you thinking about that in the context of just a disruptive force potentially at least in the short-term in the business and how hard the government is going to push at least on this one piece?

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

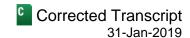
Hey, Ross. It's Brian. Thanks for the question. I did see that flash across my e-mail screen as I walked into the conference room here, and I thought we might get a question. First, let me say that we support programs that enhance access, quality and cost. And if we think about the wholesaler model and how our economics and the supply chain works, we're not directly predicated on the Safe Harboring question. Our economics really come from the manufacturer and revolve around the fair value of the services that we provide to them.

We continue to believe that we run a highly-efficient distribution and supply chain service and that they, over the years, have reinforced that view, and through various evolutions in our market and our industry, we continue to be paid fair value for the services that we provide, and that's based on the conversations that we've been engaged in today. We continue to believe that that will be the case.

So, I might also just comment that we are not just a supply chain company in terms of logistics, but a pretty sophisticated financial operation as well and on behalf of our manufacturers today, we administer lots of contract prices between manufacturers and hospitals or manufacturers and pharmacies, and literally millions of price, item, customer combinations today. We do it at scale and we do it with great accuracy. And in our pharmacy technology businesses that you heard Britt talk about in terms of their strong current performance, we have very sophisticated at-scale pharmaceutical-related transactions, over \$17 billion a year, connecting directly at the pharmacy counter.

So, clearly, we will continue to engage in conversations with our manufacturer and other partners as people shift through the implications of what has just come out, but I'd focus you back on, we continue to believe that we deliver a very important service in the pharmaceutical supply chain. We continue to be paid for that service that has evolved over the years. We expect it will continue to evolve, but net-net we would expect we'll continue to be paid appropriately for the services that we provide.

Q3 2019 Earnings Call



Ross Muken

Analyst, Evercore ISI

No, that's just super helpful color. And just maybe relative to the quarter, is this – I feel like all of the segments sort of relative to your expectations came in at least in line or maybe even a touch better in some places. Do you feel like this is sort of evidence of, aside from some of these pieces, the hiccups that come now and again like what happened with Shopko, aside from something unusual like that, the underlying trends in each of your businesses at least sort of at worst are flat and maybe in some cases are certainly maybe even a touch better, that we're starting to see that bottoming, that hopefully should be the jump off for growth eventually in sort of the out-years?

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Well, we were certainly pleased with the operational performance of many of our businesses in the quarter. And as we've talked over the past months, we did see brand inflation come in line with where we had expected it to. That was a good development and provides some good underpinning for us. We see the generic market as reaching some point of stabilization. It's always competitive, but it's competitive in the sense we'd feel confident or comfortable historically. And we do think that the focus that we've had over the past few months on the operating models and the discipline is beginning to resonate across our businesses. So I think I would say I feel real good about the quarter, the operational quarter, that the business put out.

Ross Muken

Analyst, Evercore ISI

Thanks so much, Brian.

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Thank you, Ross.

Operator: And moving on, we have Charles Rhyee with Cowen & Co.

James Auh

Analyst, Cowen & Co. LLC

Hi. It is James on for Charles. It looks like the Med-Surg business performed better than at least we had expected and the margins improved about 12 basis points year-over-year. Can you just talk more about what drove that margin expansion and maybe what gives you confidence to improve the outlook as evidenced by your revised segment operating profit guidance?

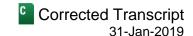
Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Thanks. Thanks for the question, James. And we were pretty pleased with medical business. So I would characterize it as pretty solid performance really across the business. Most of our segments performed on or ahead of where we had expected them to. We performed well on the gross profit line.

I think we saw some upside from expenses, and this is an environment where we're operating in a normalized flu season, when a typical year we would expect a little more tailwind from flu. We're more normal than, say, last year's really strong season. And I think part of it is just good execution. We obviously continue to benefit from the

Q3 2019 Earnings Call



MSD acquisition and as we progress in the integration of the MSD acquisition, we feel good about the progress we're making and it continues to be on track. So I look at the medical business and just feel it's a pretty solid performance really up and down the P&L.

Britt Vitalone

А

Executive Vice President & Chief Financial Officer, McKesson Corp.

I might just to underpin that, as I mentioned in my remarks, excluding the MSD acquisition which Brian mentioned is performing well in terms of integration, we would have had 8% growth year-over-year. So that's really solid growth within the ongoing business, really across that business. So, 8% excluding MSD, I think, it really underpins Brian's comments about the solid performance of that segment.

James Auh

Analyst, Cowen & Co. LLC

 \mathbb{Q}

Okay. Great and also can you maybe talk about the reimbursement environment in the UK? Do you get any sense of visibility into any incremental cuts?

Brian Scott Tyler

Δ

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Well, as I've mentioned in past comments, we always expect some level of reimbursement headwind. We have experienced, in the prior few years, abnormally high headwinds, I would say, and that's clearly challenged the business. If I think about the current reimbursement landscape, there were – the NHS typically does a 3-year plan and this is the third year of the plan and that plan would have called for them to push through some pharmacy-specific cuts which they elected to not do, which we took as a mild positive that the NHS is in tune with the landscape of community pharmacy in the UK.

Obviously they've come out with the 10-year – NHS England's 10-year plan and community pharmacy was highlighted in that plan as having an important role in addressing cost, access and quality for them. Just this week, yesterday, or maybe even this morning in fact, NHS announced some incremental funding into the provision of community health around GPs, but also including other healthcare professionals, which we think just continues to reinforce their view of the importance of community provision of health in addressing the cost challenges of NHS.

We're still digesting a lot of that and I would not want to ever declare a victory on a reimbursement front, just given recent experience, but we would like to think that we've probably gone through the most significant of that and now it's really a matter of how we continue to evolve the retail pharmacy model and to be a more integrated part of healthcare delivery in the communities in England.

James Auh

Analyst, Cowen & Co. LLC

All right. Great. Thank you.

Brian Scott Tyler

Δ

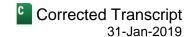
President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Thank you.

_

Operator: Moving on, from JPMorgan, we have Lisa Gill.

Q3 2019 Earnings Call



Lisa C. Gill

Analyst, JPMorgan Securities LLC

Thanks very much and good afternoon. John, I sincerely want to wish you the very best. I hope you enjoy time with your family. I may be the only one on the call today that has been on all 79 earnings calls with you from the beginning. So I will surely miss you, as you know.

My question would be though, Brian, you made a couple of comments. One, you talked about the Q3 being ahead of the internal expectations. Was there anything that was pulled forward from Q4? Because you also made a comment that the early indication of feeling good about where you stand for Q4. So I just want to understand if there was anything, number one, that was pulled forward. And then secondly, as we think about the fourth quarter, if there's any moving parts? Because if I look at the new revised guidance, it does come in kind of towards the lower-end of where the Street is on the midpoint.

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Yeah. Thank you, Lisa. I'll maybe make a couple of remarks and then let Britt add some color. Just with regards to the performance of the business in Q3, I think I'd characterize it as pretty solid and feeling good across many of our businesses. I don't believe there was any unique pull-forward or I think of it as just core solid operating performance.

Britt Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

Yeah. And Lisa, maybe what I would add to that, I agree with everything that Brian said. As we think about Q4, one of the things that I mentioned in my remarks is really around branded price inflation. And although we've talked bit more of our branded compensation is about 95% now fixed in nature and less variable, there still is that contingent part, obviously, that we talked about briefly at JPMorgan. We feel comfortable on our mid-single digit range, and again, we had very strong performance that we believe will continue in through Q4.

Lisa C. Gill

Analyst, JPMorgan Securities LLC

That's helpful. Thank you.

Operator: Moving on, we have Eric Percher with Nephron Research.

Eric Percher

Analyst, Nephron Research LLC

Thank you, and I'll echo congrats to John and many thanks to Craig. For Brian and Britt, the question on opioids. I think the first part is relative. You've given some of the solutions that McKesson has taken part in. I'd be interested, Brian, to hear your perspective on the role that McKesson or a distributor plays and maybe some of the responsibility or limitations of responsibility that distributor should hold.

And then Britt, \$100 million in legal expense, that's a significant number. Is there a lot of early-stage work and will that ebb and flow or is that where we're going to be for foreseeable future?

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

A

Q3 2019 Earnings Call



Well, I'll take the first part of your question, Eric, and as you well know, the healthcare supply chains are incredibly complicated with lots of actors playing various different roles. I mean, as it particularly relates to opioids, we get the products to DEA-licensed pharmacies. They fill those based on scripts written by DEA-licensed physicians, and the DEA itself even controls the overall quantity of opioids in the marketplace.

So, while we have a role in that physical supply chain, I would say that we would – we feel like a disproportionate amount of the attention has been placed on wholesalers to this point.

Britt Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

Eric, I'll take your second question. Again, we've updated our guidance on the opioid litigation costs, and again, our best view on it right now is it'll be in excess of \$100 million for the year. I think it's challenging for us to really have visibility on what the costs could be over the longer-term. These costs have continued to increase over the balance of this year.

And I think as we think about going forward, projecting the costs going forward will be difficult. It'll depend on a lot of different things, decisions that the judge will make in the various cases, how the judge will schedule certain milestones in each of the cases. And it's very difficult for us to predict how each of those situations will play out. So we'll continue to update you as we go forward, and what we've given you now is our best projection on those costs at least for this year.

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

And, we do take this responsibility in a very serious way. At this point where we are, we think it's very important that we invest in the legal defense, that we get the best lawyers to represent us in that defense. And as Britt said, it's very difficult to predict where and how and when these things will evolve, but our commitment is to be good stewards of the capital that you have invested in us and we will continue to keep you updated as the process unfolds.

Eric Percher

Analyst, Nephron Research LLC

Thank you.

Operator: Next, we have Brian Tanquilut with Jefferies.

Brian Gil Tanquilut

Analyst, Jefferies LLC

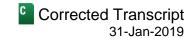
Hey. Good afternoon, guys. Just a question on CVS, on that contract. I mean, what are your expectations around the ability to retain the current services that you provide them, and then what are your thoughts on any additional services that you can provide, now that they could – yeah, the additional services that you can add to the contract? Thanks.

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Thanks. Thanks, Brian. I'd start with we've had a long-standing relationship with CVS. We've been longtime partners and we think that we service their business to the highest standards and levels that can be found in the

Q3 2019 Earnings Call



industry. So we value and appreciate the relationship we've had with them over the years and we would fully expect that we will continue that relationship.

We're in discussions with them currently around the renewal and extension of that agreement. And like we've said many times, I think if you look at the industry, there's a pretty good track record of renewing these, and certainly for McKesson, we feel very strongly that our track record of renewing and maintaining these relationships is strong, other than the occasional loss from acquisition-related activity. We think CVS well respects the work that our associates do on their behalf. And so we enter into these discussions, we have very – full expectation to renew it.

Now, we often talk about CVS as a big customer for the U.S. Pharma business and that certainly is true. We also have relationships with them in our RelayHealth and some other parts of the company as well. So, it's a pretty big broad comprehensive relationship overall and we're optimistic that we will continue that relationship.

Brian Gil Tanquilut

Analyst, Jefferies LLC

All right. Sounds good. Thanks, Brian.

Operator: Next, we have Michael Cherny with Bank of America.

Michael Cherny

Analyst, Bank of America Merrill Lynch

Great. Thanks so much for all the color today. I know it was addressed earlier in terms of the HHS and the rebate rule, I'm not expecting as you said a view on this. I think we've asked this question in the past, but when you talk about going back and making sure you get the appropriate compensation, what else goes into the conversation in terms of, is this creating an opportunity with your customers to explore new services, to pitch them on some of these things, whether it's CoverMyMeds and some of the other areas that they haven't bought from you in the past? Are there other services that they're coming back and asking you to try and pursue over time? Just trying to understand if a situation like this with uncertainty around how the pricing paradigm is going to play out for pricing as a whole, could create incremental strategic opportunities for a company that historically has been pretty active on the M&A front.

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Yeah. Great. Thank you for that question. As we think about addressing an issue like this and when I think about healthcare, it's pretty fundamentally connected upstream, downstream, I mean whether it's employers, payers, PVMs, wholesalers, retail pharmacy, this is a pretty interconnect system. And we're fortunate at McKesson that really has businesses, solutions and relationships across multiple of those constituents.

So we've tend to talk on these calls a lot about the dialogues we have with manufacturers, but we certainly have dialogues with those other constituent customers as well. And I think one of the great strengths of McKesson is the breadth of reach that we have and the capabilities we have, including some unique capabilities, like a CoverMyMeds and a RelayHealth, which we would think there is good potential for some opportunities, contingent, of course, on how this evolves. But when we meet with our partners, whether they're upstream or downstream, we try to bring the full capability and complement of McKesson into those discussions, not to let it get narrowly focused on just one piece.

Q3 2019 Earnings Call

C	Corrected	Transcript
		31-Jan-2019

	hae		

Analyst, Bank of America Merrill Lynch

Thanks.

Operator: And next from Leerink, we have David Larsen.

David Larsen

Analyst, Leerink Partners LLC

Hi. Congrats on the good quarter. Can you talk a little bit about the Rite Aid renewal? Are those renewal rates reflected in this quarter's results or the new guidance for fiscal 2019? And then, can you maybe talk a little bit about the sell-side market environment as it relates to generic pricing? Thanks a lot.

Britt Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

David, thanks for that question. I'll start and then I'll let Brian jump in. As we've talked about before, we were very pleased, obviously, with renegotiating or renewing Rite Aid for a longer period of time. We think that there's strategic opportunities for both of us. As we've also said, this was renewed within our guidance, so there will be – well, the guidance that we gave you today includes the renewal with Rite Aid.

David Larsen

Analyst, Leerink Partners LLC

Is it in the quarter? Is it fully reflected in the quarter, this quarter?

Britt Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

It's fully reflected in our numbers, in our results, yes.

David Larsen

Analyst, Leerink Partners LLC

Okay. Great. And then can you maybe just touch on generic deflation, like, how is that trending relative to expectations without getting too specific? One of your peers said mid-single to high-single digit deflation rates is what they're seeing. Is that what you're seeing as well or?

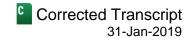
Britt Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

Yeah, we don't give specific ranges on the rates of generic deflation. But as Brian mentioned, we're seeing a more stable or more normalized environment around generics. Again, I think it's important to look at both the sell-side as well as the buy-side. On the sell-side, we are seeing a competitive marketplace as we've seen for many years and then we expect that to continue, but we're seeing a very stable environment.

And then on the buy-side, we're very pleased with the performance that we have at ClarusONE. We think that that entity is still performing quite well, and it is providing us the opportunity to continue to work very closely with our manufacturers, and we think that the buy-side environment is more normal in terms of historical ranges and it's a more stable environment than it has been several quarters ago. So, we're very pleased with the environment that we're in. It's a competitive environment, but a more stable one.

Q3 2019 Earnings Call



ı١	avi	1	വ	rc	nn
	av	IL J	ıa	. 51	

Analyst, Leerink Partners LLC

Q

Thanks, Britt. Appreciate it.

Britt Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

А

Yes.

Operator: Next question will come from Ricky Goldwasser with Morgan Stanley.

Ricky R. Goldwasser

Analyst, Morgan Stanley & Co. LLC



Yes. Hi, good evening. And John and Craig, wishing you all the best and enjoy your time. And Brian and Holly, I'm looking forward to working with both of you. So Britt, this might be a question for you, because I didn't congratulate you, when you think about – I know earlier on the call, you said that you're going to focus only on fiscal year 2019, but I do know that starting next week, starting Monday, most of the questions we're going to get will be on fiscal year 2020. So just, if you can just help us think about the factors that we should consider. I mean, obviously, there's Rite Aid and CVS that you already talked about, which are likely to be headwinds next year, but how should we think about any other factors that we should consider, any other tailwind that we should factor in as we think about next year?

Britt Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.



Yes, thanks for the question, Ricky, and maybe another call you can congratulate me on something.

Ricky R. Goldwasser

Analyst, Morgan Stanley & Co. LLC



I hope that you have a long tenure going ahead.

Britt Vitalone

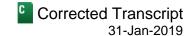
Executive Vice President & Chief Financial Officer, McKesson Corp.

Thanks for that. So I think as we've talked about, we're very pleased with the quarter and there's a lot of things that both Brian and I outlined that we view as providing momentum as we go into Q4 and certainly we feel very strongly about as we move forward. We talked about our medical business and we had very good performance in our medical business, not only from the acquisition of MSD, but the rest of the business performed quite well also.

We talked a little bit about our McKesson Prescription Technology business and we're certainly seeing new product growth as well as good revenue growth in that business. And then our U.S. Pharmaceutical and Specialty Solutions business, again, as we talked about, we had the customer charge in the quarter. Outside of that customer charge and the reversal from the New York State Opioid Stewardship Act, we would have had growth in the quarter. And so we feel that there's really strong growth underneath in that business as well.

So there's a number of areas in our business that are performing quite well. We certainly feel good about the position that we're in as we close the third quarter and as we have momentum going into the fourth quarter. Those would be a few of the areas that I would point out to you right now.

Q3 2019 Earnings Call



Ricky R. Goldwasser

Analyst, Morgan Stanley & Co. LLC

Okay. So, nothing on 2020. So let me ask you another question here. Obviously, the healthcare market is changing and maybe faster than we all anticipated or appreciated heading into this year. So Brian, from your perspective, as you look ahead, as you look at kind of like your first year as the CEO of the business, what do you think is kind of like the one area or maybe the two areas that are going to be your top priorities or where you think that you're going to spend most of your time? There's the opioids, there's obviously the relationship with the manufacturers, a number of different things. So from your perspective, where really kind of like you think that your key priorities will be?

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Yeah. Thank you for the question. It certainly is a dynamic time in our industry. And we often, I think, in these calls focus on clouds, and the fact of the matter is when I look at McKesson and I look at the breadth of the businesses we have, I look at the reach in the channels, I look at our positioning in the community-based channels, and the capabilities, whether they're supply chain, whether they're software, pharmaceutical transaction, Medical-Surgical related, I think we've got just a tremendously broad set of assets and capabilities, unbelievably talented teams, and that change creates great opportunities for companies like ours that can bring these assets together in unique and differentiated ways on behalf of biopharma partners, on behalf of provider customers. I think to me that's the real exciting part of this and that's the real opportunity that lies ahead. And so, that's where I'll be spending my time with our partners upstream, downstream and with our teams that are dedicated on delivering the value to those partners in and out every day.

Ricky R. Goldwasser

Analyst, Morgan Stanley & Co. LLC

Thank you and congrats again.

Britt Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

Thank you, Ricky. One last question.

Brian Scott Tyler

President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Yeah.

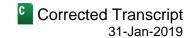
Operator: All right. For the final question, from Goldman Sachs, we have Robert Jones.

Robert Patrick Jones

Analyst, Goldman Sachs & Co. LLC

Great. Thanks for sneaking me in. John, wish you the best. Craig, been a pleasure. I guess, Brian, just going back to this idea that you discussed that there's services that you as a wholesaler provide for hospitals and other channels, that aren't currently being leveraged in the retail channel, heard something obviously very similar from one of your peers this morning. Obviously, the HHS news seems to be kind of pushing us towards this kind of net pricing world, which seems to play a part in this. Could you maybe just level-set us and maybe just elaborate a little bit on what specifically the services are that – they're changing or current pricing dynamic would allow for a wholesaler to leverage into the core channel?

Q3 2019 Earnings Call



Brian Scott Tyler

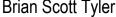
President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

I think the reality today is that we're going to have to see how things evolve here and how various constituents respond to the proposal that's been laid out. What I feel good about when I think about the capabilities of McKesson, and I mentioned this in my comments, is the fact that we do financial transactions. We do pharmaceutical transactions today in various parts of our business at scale with high accuracy, with really mature, developed, established, incredible reputation for our performance around those. And so, I do think as we look to how the markets will respond, how various segments will respond, we are in a good position to be able to provide solutions to whatever that evolution is.

Robert Patrick Jones

Analyst, Goldman Sachs & Co. LLC

Thanks so much.



President & Chief Operating Officer & Incoming Chief Executive Officer, McKesson Corp.

Thanks. Thanks, Robert. And thank you, Greg. I'd like to thank all of those of you on the call with us for your time today. I certainly look forward to engaging with you and the rest of our investor community going forward. I want to acknowledge John one last time, thank him one last time for just a terrific career accomplishment and the impression he's left on me and that I know he's left all across the teams of McKesson. He'll be greatly missed.

I want to thank our employees for their dedication to our customers and partners in line with our ICARE value of putting the patient and the customers first in everything we do.

In closing, I'm excited about the opportunities ahead of us. McKesson continues to execute against our fiscal 2019 plan and we look forward to updating you with our fiscal 2020 outlook in a few months' time.

I'll now - I hand the call back to Craig for his review of upcoming events for the financial community. Craig?

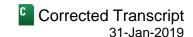
Craig Mercer

Senior Vice President-Investor Relations, McKesson Corp.

Thank you, Brian. On Thursday, February 28, we will present at Leerink Partners' 8th Annual Global Healthcare Conference in New York, and we look forward to releasing our fourth quarter earnings results in early May. With that, thank you and goodbye.

Operator: Ladies and gentlemen, thank you for joining today's conference call. You may now disconnect.





Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2019 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.