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McKesson Corp. (MCK)

Q4 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the McKesson Q4 Earnings Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Holly Weiss. Please go ahead.

Holly Weiss

SVP, Investor Relations, Corporate FP&A, M&A Finance, McKesson Corp.

Thank you, Stephanie. Good afternoon and welcome everyone to McKesson's Fourth Quarter Fiscal 2021 Earnings Call. Today, I'm joined by; Brian Tyler, our Chief Executive Officer; and Britt Vitalone, our Chief Financial Officer. Brian will lead off, followed by Britt, and then we will move to a question-and-answer session. Today's discussion will include forward-looking statements, such as forecasts about McKesson's operations and future results.

Please refer to the cautionary statements in today's press release and our slide presentation and for the Risk Factors section of our periodic SEC filings for additional information concerning risk factors that could cause our actual results to materially differ from those in our forward-looking statements. During this call, we will discuss non-GAAP financial measures. Additional information about our non-GAAP financial measures, including a reconciliation of those measures to GAAP results, is included in today's press release and presentation slides, which are available on our website at investor.mckesson.com.

With that, let me turn it over to Brian.

Brian Scott Tyler

Chief Executive Officer & Director, McKesson Corp.

Thank you, Holly, and good afternoon, everybody. Thank you for joining us on our call this afternoon. On our fourth quarter call last year, I talked about how the COVID-19 pandemic was beginning to impact our employees, our customers, our partners and the very communities in which we live. As one of the largest healthcare companies in the world, I said that McKesson would play an essential role in protecting the health and safety of the healthcare supply chain.

While we were confident in our abilities to help our customers during challenging times, what played out over the course of the year proved to be more unpredictable than anyone could have imagined. The up and down trajectory of the recovery was certainly different than we had originally anticipated. And our role in the COVID-19 response efforts evolved and expanded quickly as a result.

Fiscal 2021 was one of the most challenging yet fulfilling and inspiring years of my career, a year like no other in the 188-year history of our company. I want to thank the team McKesson and our innumerable public and private partners for their resilience, commitment to our values and service to our caregivers and patients.

From the onset of the pandemic, our sourcing teams worked closely with manufacturers and various government entities to better forecast changing pharmaceutical and medical product demand in order to extend supply and channel inventory to critical areas of need, whether it was working to secure higher volumes of PPE for caregivers and frontline worker early in the pandemic or leveraging our expertise in lab capabilities to ramp up distribution of COVID-19 tests as they came to market, McKesson moved quickly to support our customers, our partners and our communities.

Our role in the COVID-19 response was also highlighted by our partnership with the US government's COVID-19 vaccine distribution effort, having been selected as the centralized distributor of refrigerated and frozen COVID-19 vaccines and the ancillary kits used to administer those COVID-19 vaccines. We distributed our first COVID-19 vaccine in December, shortly after Moderna's vaccine was granted Emergency Use Authorization by the FDA. On February 27, Johnson & Johnson's COVID-19 became the third COVID-19 vaccine granted EUA by the FDA and the second vaccine within the scope of our contract with the CDC.

We began distributing the J&J vaccine within 48 hours of its authorization, and we're now distributing out of all 4 fit-for-purpose distribution centers we built for this program. We stand ready to support the distribution of additional vaccines as they come to market. Through April, we've successfully distributed over 150 million Moderna and J&J COVID-19 vaccines to administration sites in the US, and we remain on target with the US government's distribution schedule. Also through April, we have assembled enough kits to support the administration of more than 550 million doses for all vaccine types. This work remains our company's top priority. And we are prepared to support the US government for as long as they ask us to lead the centralized distribution model.

In Europe and Canada, we are also partnering with the local governments in the COVID-19 vaccine effort through administration in our owned and banner pharmacies as well as distribution efforts in selected markets and countries.

Let me turn now to our financial performance. Against a dynamic and challenging macroeconomic backdrop in fiscal 2021, we grew revenues 3%, and our adjusted earnings per diluted share result of $17.21, was up 15% over prior year. When pressed with challenges and uncertainties, our customers and government partners continued to choose McKesson to help ensure stability of supply for their patients.

So while prescription volume and primary care patient visit trends negatively impacted the core business throughout the fiscal year, the strength of our business model and our differentiated capabilities helped us to grow the business and deliver value to our shareholders. Our commitment to executing our strategy, transforming and simplifying the operating model contributed to these strong financial results.

Looking forward into fiscal 2022. I'm confident that we operate in scaled and resilient markets with underlying trends that support long-term growth. We invest in our business to differentiate our solutions and create value for customers, patients and partners. The pandemic has not paused our progress on these strategic priorities. Targeted investments into our business over time have positioned us well to succeed and respond quickly to changing demands from our customers and government partners during these uncertain times.

We've been focused on building out a connected ecosystem over the last several years in the areas of oncology and biopharma services. These are areas where we believe we have key differentiated capabilities. Through investments in technology, we've been able to develop more robust solutions that help connect patients, providers and manufacturers and support our growth.

Starting first with our oncology assets, which have proven to be resilient throughout the pandemic. Through scaled distribution, GPO services in our US Oncology business, we're positioned well, as innovative therapies come to market. Biosimilars are just one example where McKesson has been able to combine the breadth and scale of our specialty capabilities to help give providers choice and lower costs for patients.

We were pleased to add more practices and over 100 providers to the US Oncology Network in fiscal 2021. Today, through US Oncology and our nonaffiliated provider business, we're connected to over 10,000 specialty physicians. And our oncology technology platform has supported millions of patient journeys, providing us access to real-world outcomes data and research.

Our recently launched Technology and Real-World Insights business, which we call Ontada, is an extension of our oncology ecosystem and is a key area of investment for us going forward. We believe this business differentiates our value proposition to providers looking to drive better outcomes for their patients and to manufacturers focused on innovative therapies in the area of oncology.

In terms of biopharma services, in fiscal 2021, we brought together our RelayHealth Pharmacy, CoverMyMeds and RxCrossroads businesses. Together, these businesses are focused on innovating and automating the ways in which biopharma connects with patients, pharmacies and providers, with the ultimate goal of providing stronger access, affordability and better adherence outcomes.

These assets embed us in the daily workflows of over 50,000 pharmacies and more than 750,000 providers. We're integrated into over 75% of EHRs today. And through our market leading position and advanced solutions, we're able to automate and simplify otherwise very manual processes. Ultimately, our solutions help patients get on therapies quicker and stay on those therapies longer. This value proposition to our manufacturing partners is reflected by the over 500 brands we support today, covering nearly every therapeutic area.

In fiscal 2022, we will remain focused on these growth areas, and we will continue to look for ways to streamline the business, so that we can operate with added speed and increased focus. Part of our commitment to grow the business is to continually review and evaluate our portfolio. Sometimes we find assets we're not the natural owner of, as was the case with our German wholesale business, where we created a JV with Walgreens Boots Alliance in November.

To further simplify the business, we continually evaluate and adapt the way in which we work. For McKesson, it's been over a year since we successfully transitioned all of our office-based employees to work-from-home seemingly overnight and without a loss of productivity. While we are quite anxious to see each other in person soon and at a time and place where it's appropriate and safe to do so, the success of our employees in this remote work environment and their desire for more work flexibility has challenged us to reevaluate the way we work and our real estate and existing office space footprint. This is yet another example of how we're looking to simplify operations and grow the business and do the right thing for our teams. Britt will go into more detail about our thinking on these impacts going forward.

Now, let me turn to the business and touch on how we're positioned for success heading into fiscal 2022. I'll start with US Pharmaceutical, where we again grew adjusted operating profit despite soft prescription volume trends throughout the fiscal year. Our priority in this business is to strengthen the core and deliver the world's highest-quality supply chain to our customers and manufacturing partners. Our focus on cost and working capital efficiencies underpin this growth and help fuel investments for growth across the business.

For generics, the pricing environment continues to track in line with our expectations. On the buy-side, we leverage our scale and our sourcing capabilities through ClarusONE to ensure stability of supply at low cost for our customers. On the sell-side McKesson has taken a disciplined approach to pricing and the market continues to be competitive, but has been stable for years. While generics volume remained below pre-COVID levels in the quarter, we expect volume improvement over the course of our fiscal year.

I'm also pleased with the performance of our specialty business this past year. Our US Oncology business, patient visits were at pre-COVID baselines in March, with many returning for in-person visits to their providers. In fiscal 2022, we'll look to grow both our US Oncology and non-affiliated businesses, which are just another part of our connected oncology ecosystem at McKesson.

Let me talk about Prescription Technology Solutions. They perform well this year despite prescription volumes being down since the onset of the pandemic. We're continuing to invest in innovation in this business and despite this year's challenges we've been very successful in adding new brands to our platforms.

In fiscal 2021, our access solutions helped over 50 million patients get on therapies after their original prescription was denied coverage, and our affordability solutions helped patients save over $7 billion in out-of-pocket prescription costs. Under a single cohesive go-to-market strategy, this segment is positioned to return to growth in fiscal 2022, as patient mobility improves and prescription trends recover.

In fiscal 2021, Medical-Surgical played a central role in providing supplies to our primary and extended care customers at a critical time of need. Demand within this segment was volatile throughout the fiscal year for products such as PPE and COVID-19 tests, and our procurement teams worked diligently to find the supplies our customers needed to treat their patients at a time when supply was constrained and pricing was volatile.

While we took measures to meet the needs of our customers for PPE-related products, demand has fluctuated and market dynamics for some of these products has changed since the onset of the pandemic. As a result, we took action to position the business for lower demand levels, which resulted in inventory charges on some PPE and related products.

Further adapting to the impact of COVID-19 on our customers, we leveraged our existing lab capabilities to quickly distribute over 50 million COVID-19 tests into the provider settings we serve, demonstrating the breadth and expertise we have in our market-leading lab business.

Despite patient mobility trends below pre-COVID levels for much of fiscal 2021, I'm proud of the way the business responded to the needs of our customers, and I am confident that as patients return to consume healthcare and see their community-based providers, our core business is positioned well for growth heading into fiscal 2022.

Finally, turning to International. The segment grew full year adjusted operating profit despite lower foot traffic in many of our retail pharmacies across Europe and Canada, where the pandemic still lags the recovery we're seeing in the US. Over the past several years, we've taken deliberate actions to address our cost structure and to evolve our retail footprint in these markets, and we saw benefits from those actions this fiscal year. We are also very disciplined in how we operate these businesses, as evidenced by our thoughtful exit of unprofitable customers at the onset of the fiscal year in our Canadian business.

These businesses play an important role in the pandemic response in their respective markets and through our investments into digital assets we're able to better reach patients who are increasingly choosing electronic means to access healthcare in those countries. Going forward, we'll continue to find ways to position these businesses for future growth.

The pandemic still presents many unknowns, and the trajectory of the recovery will likely show signs of nonlinearity at times in our fiscal 2022. But we do expect a return to pre-COVID levels of prescription volumes and patient engagement levels in the second half of fiscal 2022. As utilization improves over the course of our fiscal year, we expect the stable fundamentals underlying our core business to serve as the foundation for the outlook we are providing you today.

Our fiscal 2022 outlook of $18.85 to $19.45 of adjusted earnings per diluted share includes a return to solid growth in our core businesses, a continuation of our role in the COVID-19 vaccine efforts, investments in growth and a balanced approach to capital deployment. Britt will take you through additional detailed assumptions that make up this outlook.

As I reflect back, fiscal 2021 has taught us a lot, and it showed us, once again, that our business model is positioned well to adapt and succeed in uncertain times. Time and time again, we've proven our resiliency during crisis, and I'm so proud of the way our employees rose to the challenges brought on by the pandemic and society more broadly. Our ability to be together, to stand together, focused on our values and purpose and service of the health care communities we serve makes me so proud.

We will focus on building momentum on our fiscal 2021 accomplishments and we will look to embrace the changes that have made us better to advance our growth strategy and grow the business. We will also continue to be front and center in the fight against COVID-19, helping to serve the communities in which we live and work.

I thank you again for your time and I'll turn it over to Britt.

Britt Vitalone

Chief Financial Officer & Executive Vice President, McKesson Corp.

Thank you, Brian and good afternoon, everyone. Fiscal 2021 was an unprecedented year, as Brian talked about earlier. When we spoke a year ago, we just finished our fiscal 2020 as the COVID pandemic was beginning to take hold on our communities and economies.

During that call, we provided our full year fiscal 2021 outlook with quite possibly the highest level of uncertainty in McKesson's 188-year history. As I've said since the outset of the pandemic, McKesson's operating momentum is the result of our strategic clarity, focus, execution, and discipline.

As a company, we've been operating in new ways for over a year. We're proud of the way our teams continue to execute and innovate. We're stronger than before the pandemic and our fiscal 2021 financial results give us even more confidence in our ability to continue delivering compelling performance in the future.

Today, I'll provide an update on our fourth quarter and fiscal 2021 results, including a detailed fiscal 2022 outlook, an overview which can be found in the Investors section of our website.

Let me start now with our fiscal 2021 results. Our full year adjusted earnings per diluted share of $17.21 grew 15% above fiscal 2020 and within our updated guidance range. Our fiscal year began with each of our segments experiencing volume declines due to the impact of COVID-19. Volume improvements in our first quarter were earlier than originally anticipated and on a nonlinear trajectory followed to the remainder of the fiscal year, correlating to the trajectory of the COVID virus.

Our fiscal fourth quarter experienced a continuation of the volatility from COVID as well as a weak cold and flu season and a winter storm that impacted portions of our US Pharmaceutical business.

We also recognized benefits from our leadership role distributing COVID-19 vaccines and ancillary supply kits in our US Pharmaceutical and Medical-Surgical segments, respectively. And similar to previous two quarters, in the fourth quarter, we recognized unplanned gains on equity investments within our McKesson Ventures' portfolio.

Let me move now to a discussion of our adjusted earnings results for the fourth quarter. Fourth quarter adjusted earnings per diluted share was $5.05, an increase of 18% compared to the prior year driven by the contribution from COVID-19 vaccine distribution and kitting programs for the US government and a lower share count.

These items were partially offset by a higher tax rate and the prior year contribution from the company's investment in Change Healthcare. This transition [indiscernible] (19:15) details of our consolidated results, which can be found on slide four.

Consolidated revenues of $59.1 billion increased 1% compared to the prior year primarily due to market growth and higher volumes from retail national account customers in the US Pharmaceutical segment, partially offset by the prior year increase in demand driven by the onset of the COVID-19 pandemic and the contribution of our German wholesale business through a joint venture with Walgreens Boots Alliance.

Adjusted gross profit was approximately flat to prior year as inventory charges in our Medical-Surgical segment and the previously mentioned prior year demand increase driven by COVID largely offset the contribution of our COVID-19 vaccine distribution and kitting programs and the distribution of COVID-19 tests.

Adjusted operating expenses in the quarter decreased 6% year-over-year, led by a reduction in operating expenses due to the impact of COVID-19 and the contribution of our German wholesale business to the joint venture with Walgreens Boots Alliance. This was partially offset by increased expenses related to our role distributing COVID-19 vaccines and ancillary supply kits and higher operating expenses to support growth investments in oncology and biopharma services.

Adjusted operating profit was $1. 2 billion for the quarter, an increase of 12% compared to the prior year. When excluding the $55 million contributed by Change Healthcare in the fourth quarter of fiscal 2020, which was previously recorded in Other; adjusted operating profit grew 19%. Interest expense was $52 million in the quarter, a decline of 20% compared to the prior year, driven by the retirement of approximately $1 billion of debt and lower commercial paper balances.

Our adjusted tax rate was 22.9% for the quarter, in line with our expectations. Fourth quarter adjusted earnings per diluted share also includes net pre-tax gains of approximately $44 million or $0.21 per diluted share associated with McKesson Ventures' equity investments.

In wrapping up our consolidated results, fourth quarter diluted weighted average shares were $161 million, a decrease of 8% year-over-year, driven by the successful tax re-exit of our investment in Change Healthcare at the end of fiscal 2020 and other open-market share repurchase activity. As a reminder, the exit of our Change Healthcare investment lowered our shares outstanding by approximately 15.4 million shares.

Moving now to our fourth quarter segment results which can be found on slides 5 through 9, starting with US Pharmaceutical. Revenues were $47 billion, an increase of 3%, driven by market growth and higher volumes from retail national account customers, partially offset by the prior year increase in demand driven by the onset of the COVID-19 pandemic and branded-to-generic conversions.

Adjusted operating profit in the quarter increased 7% to $813 million driven by the contribution from COVID-19 vaccine distribution, partially offset by the previously mentioned prior year COVID pandemic impact and higher operating costs in support of the company's oncology growth initiatives and the impact of a weak cold and flu season.

Adjusted operating profit for the full year increased 3% to $2.7 billion driven by growth in specialty product distribution and contribution from COVID-19 vaccine distribution, offset by the previously mentioned prior year increase in demand driven by the onset of the pandemic and by higher operating costs in support of the company's oncology growth initiatives.

Next on to Prescription Technology Solutions. Revenues in the quarter were $789 million, an increase of 7%, driven by higher volumes of technology and service offerings to support biopharma customers. Adjusted operating profit in the quarter increased 11% to $146 million driven by organic growth from access and adherence programs supported by our Technology Solutions. Full year adjusted operating profit was $467 million, which was flat to the prior year, as organic growth from access and adherence solutions was offset by higher investment costs to support the growth in the company's biopharma strategy. We finished the year with strong momentum from these investments, including our new product AMP, which contributed to profit growth in the fourth quarter.

Moving on to Medical Surgical Solutions. Revenues were $2.7 billion in the quarter up 23%, primarily driven by demand for COVID-19 tests. For the quarter, adjusted operating profit increased 13% to $192 million and for the full year increased 19% to $805 million. We previously outlined that demand for COVID test kit and PPE products were closely associated with the rate of COVID case levels. Although COVID-19 test kit volume continued through the fourth quarter, these levels moderated significantly from Q3 levels as US COVID cases trended lower throughout the quarter.

As we discussed at various conferences during our fourth quarter, we anticipated that these elevated levels of demand would moderate. As we discussed in prior calls this year, early on in the pandemic, our Medical Surgical business built supply quickly to meet demands from our customers for COVID-19 tests and elevated levels of demand for PPE. We procured these products in a market with unprecedented and unpredictable supply and demand levels. The volatility associated with COVID case levels impacted the demand levels for PPE.

The demand tapering occurred sooner than we had anticipated and we took action to position the business for the lower demand levels. As a result, some PPE and related products experienced market driven inventory charges. In our fourth quarter we recorded $87 million of charges related to these products. Our underlying business was impacted by lower levels of elective procedures and patient visits partially resulting from the continuation of a weaker cold and flu season. According to IQVIA elective procedures trended approximately 20% below the prior year at times during the quarter.

Excluding the impact of the incremental COVID-19 tests, PPE and distribution of ancillary supply kits for COVID-19 vaccines, adjusted operating profit in this segment increased approximately 1% in the quarter.

Next, International where revenues in the quarter were $8.6 billion, a decrease of 12% year over year. On an FX adjusted basis revenues decreased 18% primarily driven by the contribution of our German wholesale business to a joint venture with Walgreens Boots Alliance effective November 1, 2020. Similar to the US Pharmaceutical segment, the International segment was also impacted by the prior year increasing volume\, which corresponded with the onset of the COVID-19 pandemic. Excluding the impact of the divestiture of our German wholesale business, segment revenue increased 4% year over year and was down 4% on an FX adjusted basis.

Fourth quarter adjusted operating profit increased 1% year over year to $138 million, on an FX adjusted basis, adjusted operating profit decreased, 8% to $126 million due to the previously mentioned fiscal 2020 volume increase, again, driven by the onset of the COVID-19 pandemic. Adjusted operating profit for the full year increased 5% to $485 million, and on an FX adjusted basis, adjusted operating profit increased 1% to $466 million.

Moving on to Corporate, for the quarter, adjusted Corporate expenses were $125 million, a decrease of 42% year over year, driven by gains of approximately $44 million on equity investments within our McKesson Ventures' portfolio and prior year one-time expenses. For the full year, adjusted Corporate expenses were $584 million, a decrease of 9% compared to the prior year, driven by gains of approximately $132 million, or 60 cents of adjusted earnings per diluted share on equity investments within our McKesson Ventures' portfolio, partially offset by lower interest income.

As in the previous two quarters, we had fair value adjustments related to several of our portfolio companies within McKesson Ventures. As we previously discussed, we can't predict when gains or losses within our Ventures' portfolio companies may occur. Therefore our practice has and will continue to not include Ventures' portfolio impacts in our earnings guidance.

We reported opioid related litigation expenses of $153 million for fiscal 2021. Until a settlement is reached and executed we anticipate a similar level of spend. For fiscal 2022, we estimate opioid related litigation to approximate $155 million.

And, finally, fiscal 2021 also marked the end of our previously announced three year program to transform our operating model and drive cost reductions across the enterprise. We are proud to have achieved our original three year target of $400 to $500 million in savings by the end of fiscal 2021. A portion of this savings has been reinvested in our growth areas of oncology and biopharma services.

Turning now to slide 11. We continued to place a sharp focus on working capital efficiency and cash flow generation. For fiscal 2021, we generated free cash flow of $3.9 billion and we ended the quarter with a cash balance of $6.3 billion ahead of our expectations. In fiscal 2021, we continued our long track record of solid cash flow generation, resulting from another year of operating profit growth and our continued focus on working capital efficiency. In fiscal 2021 our cash flow was impacted by the COVID-19 pandemic, including uneven levels of customer demand.

Over the course of the year, the dynamics of the operating environment resulting from the early effects of COVID-19 introduced further volatility in our cash flow. We experienced higher levels of inventory primarily resulting from the increased quantities of COVID testing and PPE. We anticipated this additional working capital volatility, meeting the evolving needs of our customers, all while we were increasing our work with the US government to distribute COVID-19 vaccines and ancillary supply kits.

In Q3, we utilize a portion of our free cash flow to retire approximately $1 billion of debt and we issued a $500 million bond at attractive market rates. These actions which were in line with our stated intent to modestly de-lever further strengthened our balance sheet and financial position. In fiscal 2021, we made $641 million of capital expenditures, which includes continued investments in our strategic growth initiatives of oncology and biopharma services, as well as investments to support our COVID-19 vaccine and kitting efforts. We returned $1 billion of cash to our shareholders through $770 million of repurchases and a payment of $276 million in dividends.

Let me now spend a few minutes on our fiscal 2022 outlook. And, I'll start by framing a couple of key macro level assumptions that underpin our outlook for fiscal 2022. We do not assume a return waive of the virus, additional shelter in place or increased social distancing. As we've discussed throughout the year, volume trends in fiscal 2021 were nonlinear and varied over the course of the year, our markets did not fully recover, and we remain in a dynamic environment.

We are however encouraged by recent signs that a broader recovery is forthcoming. We expect prescription volumes will continue to demonstrate steady improvement from volume levels at the end of our fiscal 2021 through the first half of our fiscal 2022, in line with the rate of increasing vaccinations and decreasing COVID cases. We anticipate a return to pre-COVID prescription and patient engagement levels in the second half of our fiscal 2022. For fiscal 2022, we expect adjusted earnings per diluted share to be in the range of $18.85 to $19.45, more heavily weighted towards the back half of the fiscal year. We also expect core growth across all of our segments.

Rather than outlining each assumption, I'll instead walk you through the key items, starting with the segments. For a full list of our fiscal 2022 assumptions, please refer to slides 13 through 16 in our supplemental slide presentation.

In the US Pharmaceutical segment, we expect revenue to increase 4% to 7% driven by market growth and strong performance at our Specialty business. Adjusted operating profit is expected to deliver 4% to 7% growth as volumes continue to improve compared to fiscal 2021. Our outlook also includes approximately $0.40 to $0.50 related to COVID-19 vaccine distribution in fiscal 2022, the majority expected to be realized in our first quarter. This compares with approximately $0.35 in fiscal 2021.

We will also continue to invest in our leading and differentiated position in oncology and increase investments to support future growth. We expect these investments will represent an approximate $0.20 headwind in fiscal 2022. Normalizing for the COVID-19 vaccine distribution and our continued growth investments, we expect approximately 5% to 8% core adjusted operating profit growth.

Finally, we anticipate branded pharmaceutical pricing to approximate mid single-digit increases, which is consistent with fiscal 2021. And the generic market remains competitive yet stable. We continue to be pleased with the performance of ClarusONE, which provides competitive costs and supply stability to our customers. This combined with our disciplined approach to pricing and improving overall volume and utilization, gives us confidence in our ability to grow and generate positive spread.

In our Prescription Technology Solutions segment, we expect revenue and adjusted operating profit growth of 12% to 17% driven by organic growth as we continue to recognize the benefits of the investments we've been making in technology offerings for our biopharma customers.

Now transitioning to Medical-Surgical, fiscal 2021 saw notable impacts from the contribution of COVID test kits and personal protective equipment, as well as impacts to the underlying business due to office closures, social distancing and reduced patient visits. Our Medical-Surgical business delivered strong results against these challenges, and we continue to position the business for long-term growth.

In fiscal 2022, we expect demand for COVID test kits and PPE to moderate further as vaccinations increase and case counts decrease. As patients continue to return to their providers, we expect growth in our Primary and Extended Care segments of this business. Given these dynamics, we expect revenue to be down 5% to 1%

growth, and we expect adjusted operating profit to be flat to 6% growth over the prior year, as growth in our underlying business is offset by a lower contribution from COVID test kits.

Included in this guidance is $0.10 to $0.20 of contribution related to the kitting and distribution of ancillary supplies for COVID-19 vaccines. Again, the majority will be realized in our first quarter. This compares to approximately $0.35 in fiscal 2021. Due to the timing of when we began executing our contract with HHS, a larger portion of kitting revenue was realized in fiscal 2021.

Excluding the contribution of our COVID-19 kitting and distribution program, the contribution from COVID-19 test kits, and the fiscal 2021 impairments for PPE and related products, we expect year-over-year adjusted operating profit growth of approximately 10% to 16%.

Finally, in the International segment, we expect revenues to decline 2% to grow 3% as compared to the prior year, and this reflects the contribution of our German wholesale business to a joint venture with Walgreens Boots Alliance in the third quarter of our fiscal 2021. We expect adjusted operating profit growth in the segment of 4% to 8%, led by core business improvement as our geographies continue the recovery from COVID-19.

And now turning to the consolidated view, we expect 3% to 6% revenue and adjusted operating profit growth compared to fiscal 2021. We expect corporate expenses to be $670 million to $720 million. And as a reminder, our corporate expenses in fiscal 2021 were offset by net gains of approximately $133 million or $0.60 per diluted share from equity investments within our McKesson Ventures' portfolio. We assume a full year adjusted tax rate of approximately 18% to 19%, which may vary from quarter-to-quarter. It includes anticipated discrete tax items that we expect to realize during the course of the year.

As Brian mentioned in his remarks, we continue to transform and evolve our operating models to drive efficiencies. As part of this evolution, we plan to make changes to our real estate strategy to increase efficiencies, supporting increased flexibility, including a transition to a partial remote work model for certain employees on a go-forward basis. This will result in reduction to our real estate footprint.

In executing this plan, we will incur GAAP-only restructuring charges of approximately $180 million to $280 million over the next year. We expect these actions will result in the realization of annual savings of approximately $60 million to $80 million when fully implemented. These actions will get underway in this upcoming fiscal year, and therefore, we do not expect to see a material benefit in fiscal 2022. We're in the early stages of this planning, and we'll provide additional detail at a later time.

Let me wrap up our fiscal 2022 outlook with a few comments on cash flow and capital deployment. The past year has reinforced the importance of managing our business for the long term through a disciplined and balanced approach to capital deployment with a sharp focus on investments for innovation and growth to further enhance our competitive positioning and leverage our differentiated assets and capabilities.

We expect free cash flow of approximately $3.5 billion to $3.9 billion, which is net of property acquisitions and capitalized software expenses. As we consider our capital deployment options, we first start with our commitment to maintain our current investment-grade credit rating.

With respect to capital deployment, our priority is growth, and the use of capital continues to be focused on supporting organic growth of our oncology and biopharma services strategies, followed by retaining flexibility for acquisitions to accelerate these strategies. We complement these growth drivers with a return of capital to our shareholders, through a modest yet growing dividend and share repurchases.

We continue to execute at a high level, and we have confidence in the business today and in the future. And we continue to believe that there's great value in our stock. As indicated on slide 16, our fiscal 2022 outlook incorporates plans to repurchase approximately $2 billion of stock, which we expect will be more heavily weighted to the first half of the fiscal year.

As a result of this activity, we estimate weighted average diluted shares outstanding for fiscal 2022 to be in the range of approximately 153.5 million to 155.5 million. We also anticipate use of cash to purchase shares in McKesson Europe, through exercises of a put right option available to non-controlling shareholders.

As a reminder, McKesson originally acquired 77% of Celesio; the remaining non-controlling interest shareholders retained a put option for their shares. The put right options of minority stakeholders expires in Q1 of fiscal 2022. We estimate that the remaining put right options could result in cash payments up to approximately $1.3 billion, which will be reflected in the financing activities section of our cash flow statement. During fiscal 2021, McKesson used $49 million of cash for exercise of these put right options.

In fiscal 2021, we delivered strong performance in an unprecedented environment, and we capped off our three-year operating model transformation, setting the stage for an acceleration of growth. We look forward to continuing our role in the pandemic response by distributing COVID-19 vaccine and ancillary supply kits, as we continue our leadership role in the pandemic response.

Our outlook for fiscal 2022 reflects the continued confidence in our operating momentum with growth across all segments of the business, supported by the strength of our balance sheet and strong financial position.

We will continue to invest in our strategies of oncology and biopharma services as we build out our connected ecosystems in these growth areas, delivering value to our customers and partners. We're confident in our ability to leverage our position and capabilities to accelerate growth.

In closing, I'd like to acknowledge and thank all the McKesson associates across the world for their dedication, execution and unrelenting commitment to our customers and patients. The results we achieved this year could not have been possible if not for the dedication of team McKesson. We're pleased with our results in fiscal 2021 and confident in our outlook for fiscal 2022.

And with that, Holly, let me turn the call back to you for Q&A.

Holly Weiss

SVP, Investor Relations, Corporate FP&A, M&A Finance, McKesson Corp.

Thank you, Britt. I'll now 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 to allow others an opportunity to participate. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Lisa Gill with JPMorgan.

Lisa C. Gill
Analyst, JPMorgan Securities LLC

Q

Thanks. Thanks very much. Good afternoon. Brian and Britt, I just really want to start with the oncology business. So Britt, I want to better understand the $0.20 of investment that you talked about in the guidance and help me to understand what type of investments you're making there. Are they tuck-in acquisitions? Is it technology, those kinds of things? And then secondly, as we think about growth in the oncology and specialty business, can you maybe just talk about the impact of biosimilars, what you've seen in the quarter and kind of your expectations going into 2022?

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

Good afternoon, Lisa. Thanks for that question. Let me just talk a little bit about the mechanics, and then Brian can talk a little bit about some of the specific investments that we're making. We did talk on our Q3 call about the second half having investments in our oncology business and how that would be a modest headwind to the second half of the year. And we did make those investments. We're increasing our investments next year. We've talked about our Ontada business publicly now, and we're making some good traction and having some good partnerships that we're, that we've been announcing. And so we're going to continue to invest in our oncology ecosystem in FY 2022. It's another investment year. But we do see that we're going to be turning profitability in years after. We feel very confident that these investments in the oncology business, and specifically in Ontada, will bear fruit. And, Brian, maybe you talk about the specific investments?

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Yes. I think that's right, Britt. I mean I think of the investments in a couple of buckets, right? We've got a leading EMR in oncology. We need to continue to invest in that as the practice of oncology changes and the complexity of the therapies continue to evolve and things like genomics and all these advanced diagnostics start to fold in. That's a bit of just infrastructure investment. Britt talked about Ontada, that's our technology and data insights business that we're investing in. That's a growth, future growth area of opportunity for us. And then we did not have any M&A in oncology in this quarter. We had some great partnerships. We got some great momentum on that front. This is an area that is strategically is aligned to our enterprise strategy, and we would certainly be open to doing M&A if it was on strategy and met our financial thresholds for good M&A.

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

And Lisa, maybe I'll just finish up on your biosimilars question. We're very pleased with how biosimilars are beginning to hit the market. We see the pipeline growing, particularly in the oncology space. It's not a material driver to our results right now, but we are encouraged by the pipeline. We're encouraged by the opportunities in the next, in the coming years. So we think that biosimilars are going to continue to be a positive driver for the business, for the providers and for patients. And we expect with our scale and reach that we'll continue to get that contribution as adoption continues to increase.

Operator: Thank you. Our next question comes from Robert Jones with Goldman Sachs.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

Good, thanks for the question. I guess, just on the guidance within the pharma segment, the core growth of 5% to 8%, Britt, seems really strong, especially considering your assumption that scripts won't be back to pre-COVID level until the second half. So just any additional kind of building blocks or thoughts there would be helpful. And then just to clarify, your peers have talked a lot about pockets of pricing pressure in generics and pockets of volume weakness. Just want to understand clearly what your assumptions are from what you're seeing today and in guidance relative to the generic book.

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

Yeah, thanks for the question, Bob. Look, we're very pleased with how the business has continued to grow and gain momentum. This is the second year in a row now where this business has grown. We've got really good scale and reach across all of our businesses. Brian talked about our specialty businesses and particularly differentiation that we have in oncology. And so we think that the momentum is going to continue. As I mentioned in my remarks, we're seeing some encouraging signs, and we think that as utilization comes back, the momentum will just continue.

As it relates to our thought on the pricing environment, again, from a branded pricing perspective, we expect that FY 2022 will look a lot like FY 2021. From a generic perspective, we have a great sourcing capability in ClarusONE. We continue to do a great job for our customers in providing stability of supply and low cost. We don't see anything that's really changed the dynamics around either the buy side or the sell side. It's a competitive market, but it's been stable now for several quarters. And we feel with the strength of our sourcing operation and our disciplined approach on the sell side that we'll continue to see the same types of contribution that we've seen now for several quarters.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Years, actually.

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

Years, yes.

Operator: Thank you. Our next question comes from Mike Cherny with Bank of America.

Michael Cherny
Analyst, BofA Securities, Inc.

Q

Good afternoon. Thanks for taking the question. Maybe if we could talk a little bit about pharmacy tech solutions a bit. It doesn't really get a ton of attention, but clearly, it's become a big piece of the EBIT. As you think about the demand curve that you've seen heading into fiscal 2022, and obviously, in terms of how pharmacies are reacting from fiscal 2021 and all the changes they've had around COVID, can you just give us a sense on what drives that growth? It's clearly a stand out in terms of your overall revenue, overall profitability. It's higher margin. So how should we think about where the adoption levels are coming from your customers in terms of supporting that underlying growth?

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

Yeah. I mean, thanks, great question. So fundamentally, this is a transaction volume-based business. So as script growth returns, that's a good fundamental underlying driver of this business. We also grow this business by signing more brands onto our programs and to innovating and putting more value on our network that delivers value to a pharmacist, to a provider or to a biopharma that allows us to grow our services revenue. I mean, fundamentally, this is about growing transactions.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Pete, just the other thing I would add there, the way that we're growing the transactions is we're utilizing technology. We have great technology and capabilities within that business, and that allows us to leverage our capabilities in a unique way.

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

Yeah. So our access to workflow, our ability to automate, what we're doing is creating new solutions that drive volume through, transaction volume through our networks by solving real customer problems.

Operator: Thank you. Our next question comes from Eric Percher with Nephron Research.

Eric Percher
Analyst, Nephron Research LLC

Q

Thank you. Question on the medical side. The core growth of 10% to 16% is notable. Be interested to hear how the medical business has changed as you continue to progress through the COVID pandemic. And then how much or to what extent can you follow testing? Of course, it's declining. It's also moving toward retail and home. We saw the alignment with [ph] Cardell (49:58). Where else or how material could that be to you?

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

I'll start and give a few comments, Eric. Look, it was certainly a dynamic year in the medical business, I mean, out of the gates with PPE, demand outstripping supply by a wide margin. You're well familiar with the early period of this fiscal year. Mid-part of the year, we start to see COVID test kits really come to market. And through our leading position as a lab distributor, think our team did a fantastic job working with really a broad spectrum of those providers across all types of tests, molecular, antigen, antibody, to get those into the provider communities that we serve. And we had tremendous growth.

That growth probably peaked in Q3. It was, frankly, it fell away quicker than we had anticipated when we had our earnings call in that third quarter. We still, there is still COVID test kit volume out there, but it certainly was, if any, of all of our businesses, I would say the medical business was the most dynamic in terms of the market dynamics this year.

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

And maybe, Eric, just to follow up on that, as Brian talked about the breadth of our, the markets that we serve and the breadth of products and capabilities that we have, our leading capabilities go across Rx, private brand, lab, as Brian talked about. And, if you go before the pandemic, FY 2020, we had growth – AOP growth of about 12%. So I think as we look at our guide for next year, it really speaks to the fundamentals of the business have remained very strong all the way through the pandemic. And as volumes begin to come back and utilization comes back online, we would expect that the business could continue to grow in that historical range.

Operator: Thank you. Our next question comes from Kevin Caliendo with UBS.

Kevin Caliendo
Analyst, UBS Securities LLC

Q

Hi, thanks for taking my call. So you guys have $6 billion of cash in your balance sheet. Looking at the cash flows from this year, even with the larger buyback and the dividend, like, you're still likely to add cash net-net. There's been a lot of talk about potentially what you might do in terms of M&A going forward. What's your appetite in terms of M&A? Are you looking to just add on and bolt on? Is there a meaningful acquisition you'd be looking to do? Anything notable? Sort of, talk about where you sit now versus maybe where you had been in the past?

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Yeah. I mean, let me give you just a couple of framing comments on how we think of M&A. So first, if it's what we would call tuck-in or it's a core business, we're in the business today, we understand the business. It's just about really adding customers or maybe a capability but, and scale to a platform we already have, that's attractive M&A. And over the history of this company, we've been very successful doing that kind of M&A.

The second kind that we – the second criteria we really have is to assess its alignment to our enterprise strategy. We've articulated our oncology ecosystem and our biopharma services business as areas that we want to deploy growth capital against. But it's got to meet our third criteria, which is we're very financially disciplined about the way we approach these things. We know we have alternate uses to deploy our capital. M&A is just one of them. And so we're very disciplined as we think about approaching M&A. But I would say we would do M&A if it was aligned to our strategy, it fits that first type of M&A, a tuck-in and it met our financial discipline business criteria.

Operator: Thank you. Our next question comes from Charles Rhyee with Cowen & Company.

Charles Rhyee
Analyst, Cowen & Co. LLC

Q

Yeah, thanks for taking the question. Wanted to ask about the vaccine guidance, contribution guidance, the $0.40 to $0.50. Should we assume that's pretty much front-end weighted into the fiscal year? And have you taken into account some of the concerns around vaccine hesitancy and the fact that – whether the pace of vaccine administration is going to slow down? Thanks.

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

Thanks for the question. Let me address that. As I think I mentioned in past calls, we take our guidance from the US government. They make all the decisions on the administration of the program. And so, we leverage the guidance that they give us in terms of volumes and where those volumes need to be distributed. And that's how we put this guide together.

So, that's how we formed the basis of the $0.40 to $0.50 for the vaccine distribution and the $0.10 to $0.20 for the kit distribution. And as I mentioned in my opening remarks, that's going to be weighted more toward the first half of the year or first quarter of the year primarily.

Operator: Thank you. Our next question comes from Steven Valiquette with Barclays.

Steven Valiquette
Analyst, Barclays Investment Bank

Q

Great, thanks. Good afternoon. So, Britt, in your prepared remarks, you called out the weak cold and flu season, that did have some impact on the fiscal 4Q results just reported. It seems like that dynamic did cause a wide variation in financial impact across all three distributors. But I guess as we think about the fiscal 2022 guidance from you guys, you mentioned the return to the pre-COVID levels of prescriptions and patient levels in the back half of the year. I just want to confirm whether or not that includes the normal cough, cold, flu season. And is that also a large factor or a small factor in that 5% to 8% core EBIT growth in US pharma? Thanks.

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

Sure. Thanks for the question. Look, as I talked about, there were a couple of factors that really occurred during the fourth quarter. Weak cold and flu season was one of those. We also had a winter storm. Those had modest impacts on our results. We do expect next year that we would have a normal flu season. Those are very difficult to predict. In the last several years, we've had some variations within what normal is based on history. But we expect that the cold and flu season will be back to a normal cadence historically. And as utilization starts to improve over our first half of the year and get back to pre-COVID levels in the second half of the year, that's where we expect volumes will begin to ramp.

Operator: Thank you. Our next question comes from Eric Coldwell with Baird.

Eric White Coldwell
Analyst, Robert W. Baird & Co., Inc.

Q

Hey. Thanks very much. This somewhat tails on Charles' question. It was, in a nutshell, you guided to earnings being back-half weighted again. And frankly, if I look at the three years prior to COVID, your contribution was, on average, 54% of full year earnings. So, I just want to make sure that this is more than anything kind of a reiteration of what happened in the past prior to COVID impacts, number one.

And then number two, if the heavy weighting of your vaccine and kitting, $0.50 to $0.70 is in the first quarter, how do we true that up with earnings being weighted towards the back half; is by default is the implication that we should be a bit more cautious on 2Q results? Just trying to bridge all these moving pieces. Thanks.

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

Yes. Sure. Let me see if I can help you out. You are correct. Historically, our earnings have been generated primarily heavier in the second half of the year. And we would expect that we would have a slightly higher second half contribution than the first half again this year. I think when you look at our guide and you look at the vaccine contribution of $0.40 to $0.50 on the range of $18.85 to $19.45, inside of that, the core business is still growing. And we would expect that as utilization continues to improve through the first half and gets back to pre-COVID in the second half that those core earnings would reflect that.

So again, I think historically, we've had higher second half contribution than the first half. We expect that we'll have a slightly higher second half than first half contribution as well. We don't guide to quarters, so I'm really not going to comment on second quarter versus first quarter. I think you should take our thinking on how utilization comes back online.

Operator: Thank you. Our next question comes from Ricky Goldwasser with Morgan Stanley.

Ricky R. Goldwasser
Analyst, Morgan Stanley & Co. LLC

Q

Yeah, hi. Good evening. So, my question goes back to the guidance for 2022 for core distribution operating income growth. We get often questions from investors around what's the long-term growth algorithm for the business. I think it's really helpful that you separated your core. So when we think about this core growth of 5% to 8%, and while it doesn't include some of the COVID impacts, it does include lower volumes in the first half of the year.

Should we think about that as sort of the starting point or a baseline for longer-term growth and when volumes accelerate that that starting point could be even higher? And then my follow-up question is just on the opioids litigation. Your guidance assumes sort of the same legal expenses in 2022 as in 2021. So, if we can get any updates on where you are in the process. Thank you.

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

Thanks, Ricky, for the question. Let me see if I can start with your first question. Look, we have talked about improving momentum in our business for the last several quarters, and you referenced 5% to 8% core. That's for our US Pharmaceutical business. We expect that our business is going to continue to generate improving momentum over the course of FY 2022. And so we feel very good that we've had a return to growth in that segment, really the whole business over the last two years, that we would expect that that will continue. We've talked about some of the investments that we're making in the business and how we're leveraging some of those investments.

And so I think what you should – you should not think about this as a long-term jumping off point. We don't provide long-term guidance and I would hesitate for you to just take that 5% to 8% and take it out over the long term. But what you should take from this is we expect continuing improvement in utilization, continuing momentum in the business, and I think our core growth rate really reflects that. Brian, if you wanted to...

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Yeah. And, also embedded in the US pharma segment is the assumption that the flu season returns to normal. That, historically, would have been in the run rate and not incremental growth for the segment.

Relative to opioids, the second part of your question, Ricky, we continue to have constructive discussions around a broad settlement framework and structure. The parameters of that have been pretty consistent over the last several quarters. I'm very encouraged. We're hopeful we can reach resolution. We think it will be great for patients and communities.

But as we said last quarter, until we have a deal, we are going to continue to prepare to defend ourselves, and we've made significant investments in that defense. We're prepared to rigorously and vigorously defend ourselves in court if it comes to that. So our assumption, until such point in time that we have a resolution, is that we'll continue to make the ongoing investment in our defense.

Operator: Thank you. Our next question comes from George Hill with Deutsche Bank.

George Hill
Analyst, Deutsche Bank Securities, Inc.

Q

Hey, good afternoon, guys. And, thanks for the taking the question. I was hoping you might be able to give me an answer to a question that would settle some debate in the investor community, which is, I guess, could you talk about your appetite for maybe adding another leg to the operational stool through M&A and kind of how we should think about the company's appetite for deals that could be dilutive or value transferred, if that's the right word, in the short term for – to enter segments that could relate to your core customers and might have a better long-term growth profile? So that's kind of the really broad M&A question, but just interested in how you're thinking about the kind of the risk appetite versus valuation.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Well, look, first, we're always looking at the landscape. And if you look at the landscape in healthcare this year, obviously, with the pandemic, we saw a lot of the telehealth assets really catch a lot of momentum. We've gone back. We've checked our strategies based on how we've seen the landscape change over the past year.

And I'll just say this, we have a lot of conviction that our strategy, which is built around continuing to get growth out of the core, continuing to focus on oncology and continuing to focus on biopharma services, where we think we have unique and distinguished capabilities, we have the opportunity to do internal innovation to drive growth. And we have appetite to do external growth, if we can find the right asset, align to the strategy in the right way that meets our return thresholds.

Operator: Thank you. Our next question comes from Jailendra Singh with Credit Suisse.

Jailendra Singh
Analyst, Credit Suisse Securities (USA) LLC

Q

Thank you. I actually want to talk, ask about your International segment. Maybe if you can provide some, little bit more details on the key drivers behind 4% to 8% core growth you expect in that business in fiscal 2022?

Britt Vitalone
Chief Financial Officer & Executive Vice President, McKesson Corp.

A

Sure. I'll start. I mean, let's, first, we should recognize that in the International segment, the pandemic recovery is lagging what we're seeing in the US a little bit.

But we're very pleased with the performance that this business has had. We have worked diligently over the last few years to really think about, how we organize and streamline and make that business more efficient, capturing some of the scale across all of the countries.

We've been rigorous in looking at our retail footprints. And we've done some rationalization of our physical estate there. And we've made some investments, frankly, in some digital technologies that really were, turned out to be quite timely and important this year as patients decided they wanted to use digital health services more.

So we're very pleased with the performance of the European business. We run it in a very, disciplined, very tight way. It is not inherently high-growth markets. So to get the growth that we see, we're very pleased with the team.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

I guess, I would just add, similar to the US market, our international markets have also faced COVID headwinds. And we would expect that those markets will begin to recover along the same type of time lines we laid out in our broader comments.

Holly Weiss
SVP, Investor Relations, Corporate FP&A, M&A Finance, McKesson Corp.

A

Operator, we have time for one more question.

Operator: Certainly, that question comes from Brian Tanquilut with Jefferies.

Brian Gil Tanquilut
Analyst, Jefferies LLC

Q

Hi good afternoon. Thanks for taking the question. Brian, just in your prepared remarks, you've talked about expanding US Oncology, so just curious how you see that.

Philosophically, is that, how will that play out? Is that an expansion in terms of footprint, number of practices, capabilities? And how are you thinking about the shift of that business or evolution of that to value base as the oncology world changes?

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Yeah, great question. So look, we think we have a terrific value proposition for independent community-based oncologists. And we look to grow our practices and our, the number of oncologists in those practices. That is part of the growth. I mean, and we like that growth.

But we also think we have the opportunity to grow our research, efforts, to grow our data and analytics and insight business. We've got opportunity to put more value into our EMR so that we stay contemporary with patient care and that we're innovating ahead of the marketplace.

And we view all of these things as kind of reinforcing each other, right? More scale in the network gives you a bigger distribution channel for the products and services that you develop, more impact back upstream to the biopharmas. And that's why we've actually been referring to it as an ecosystem because these are not really disconnected growth strategies they're actually quite connected under the umbrella of oncology.

Brian Scott Tyler

Chief Executive Officer & Director, McKesson Corp.

Okay. Well, thank you, everybody. [indiscernible] (1:00:34) enters our fiscal 2022, I'm excited about the businesses and the markets that we operate in today. I'm very pleased with our performance and the momentum that gives us and I really do believe we are positioned for long-term success. I'm again, so proud of how resilient our employees have been throughout the pandemic. And in fiscal 2022, we look forward to supporting our customers, partners and communities as we hopefully resolve these uncertain times. We wish you and your families, good health and wellness. Get vaccinated. And I want to wish everybody a Happy Nurses Day. Thanks to all those amazing nurses out there on the front lines. Thanks, everybody. Have a great evening.

Operator: Thank you for joining today's conference call. You may now disconnect, and have a great day.