

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended March 31, 2024
OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

**Commission File Number: 1-13252
mckessonlogoa01.jpg**

McKESSON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

94-3207296

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer Identification No.)

**6555 State Hwy 161,
Irving, TX 75039**

(Address of principal executive offices, including zip code)

(972) 446-4800

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Trading Symbol)	(Name of each exchange on which registered)
Common stock, \$0.01 par value	MCK	New York Stock Exchange
1.500% Notes due 2025	MCK25	New York Stock Exchange
1.625% Notes due 2026	MCK26	New York Stock Exchange
3.125% Notes due 2029	MCK29	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant’s most recently completed second fiscal quarter, September 30, 2023, was approximately \$57.8 billion.

Number of shares of common stock outstanding on April 30, 2024: 129,985,514

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s Proxy Statement for its calendar year 2024 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

[Table of Contents](#)

McKESSON CORPORATION
TABLE OF CONTENTS

Item	Page
<u>PART I</u>	
1. Business	3
1A. Risk Factors	14
1B. Unresolved Staff Comments	25
1C. Cybersecurity	25
2. Properties	26
3. Legal Proceedings	26
4. Mine Safety Disclosures	26
Information about our Executive Officers	27
<u>PART II</u>	
5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	28
6. Reserved	30
7. Management's Discussion and Analysis of Financial Condition and Results of Operations	31
7A. Quantitative and Qualitative Disclosures About Market Risk	54
8. Financial Statements and Supplementary Data	55
9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	126
9A. Controls and Procedures	126
9B. Other Information	126
9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	126
<u>PART III</u>	
10. Directors, Executive Officers, and Corporate Governance	126
11. Executive Compensation	127
12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	127
13. Certain Relationships and Related Transactions, and Director Independence	128
14. Principal Accountant Fees and Services	128
<u>PART IV</u>	
15. Exhibits and Financial Statement Schedule	129
16. Form 10-K Summary	135
Signatures	136

McKESSON CORPORATION**PART I****Item 1. Business.****INDEX TO BUSINESS**

Section	Page
General	3
Business Segments	4
U.S. Pharmaceutical	4
Prescription Technology Solutions	7
Medical-Surgical Solutions	7
International	7
Investments, Restructuring, Business Combinations, and Divestitures	8
Competition	8
Patents, Trademarks, Copyrights, and Licenses	8
Human Capital	9
Government Regulation	10
Other Information about the Business	13
Forward-Looking Statements	13

General

McKesson Corporation together with its subsidiaries (collectively, the “Company,” “McKesson,” “we,” “our,” or “us” and other similar pronouns), which traces its business roots to 1833, is a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. Our teams partner with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products, and services to help make quality care more accessible and affordable.

The Company’s fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references in this document to a particular year refers to the Company’s fiscal year. The Company was incorporated on July 7, 1994 in the State of Delaware.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”), are available free of charge on the Company’s website (www.mckesson.com under the “Investors — Financials — SEC Filings” caption) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (“SEC”). The content on

any website referred to in this Annual Report on Form 10-K (“Annual Report”) is not incorporated by reference into this report, unless expressly noted otherwise. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The address of the website is www.sec.gov.

McKESSON CORPORATION

Business Segments

The Company operates its business in four reportable segments: U.S. Pharmaceutical, Prescription Technology Solutions (“RxTS”), Medical-Surgical Solutions, and International.

Our U.S. Pharmaceutical segment distributes branded, generic, specialty, biosimilar and over-the-counter (“OTC”) pharmaceutical drugs, and other healthcare-related products in the United States (“U.S.”). This segment provides practice management, technology, clinical support, and business solutions to community-based oncology and other specialty practices. In addition, the segment sells financial, operational, and clinical solutions to pharmacies (retail, hospital, alternate sites) and provides consulting, outsourcing, technological, and other services.

Our Prescription Technology Solutions segment helps solve medication access, affordability, and adherence challenges for patients by working across healthcare to connect patients, pharmacies, providers, pharmacy benefit managers, health plans, and biopharma. RxTS serves our biopharma and life sciences partners, delivering innovative solutions that help people get the medicine they need to live healthier lives. RxTS also offers prescription price transparency, benefit insight, dispensing support services, as well as third-party logistics and wholesale distribution support designed to benefit stakeholders.

Our Medical-Surgical Solutions segment provides medical-surgical supply distribution, logistics, and other services to healthcare providers, including physician offices, surgery centers, nursing homes, hospital reference labs, and home health care agencies. We offer more than 245,000 national brand medical-surgical products as well as McKesson’s own line of high-quality products through a network of distribution centers in the U.S.

Our International segment provides distribution and services to wholesale, institutional, and retail customers in Canada and Europe where we own, partner, or franchise with retail pharmacies, and support better, safer patient care by delivering vital medicines, supplies, and information technology solutions.

U.S. Pharmaceutical Segment:

Our U.S. Pharmaceutical segment provides distribution and logistics services for branded, generic, specialty, biosimilar, and OTC pharmaceutical drugs along with other healthcare-related products to customers. This business provides solutions and services to pharmacies, hospitals, oncology and other specialty practices, pharmaceutical manufacturers, biopharma partners, physicians, payors, and patients throughout the U.S. We also source generic pharmaceutical drugs through our ClarusONE Sourcing Services LLP joint venture with Walmart Inc. (“ClarusONE”).

Our U.S. Pharmaceutical segment operates and serves customers through a network of 27 distribution centers in the U.S., including two strategic redistribution centers. We invest in technology and other systems at all of our distribution centers to enhance safety, reliability, and product availability. For example, we offer McKesson ConnectSM, an internet-based ordering system that provides item look-up and real-time inventory availability as well as

ordering, purchasing, third-party reconciliation, and account management functionality. We make extensive use of technology as an enabler to ensure customers have the right products at the right time in the right place.

To maximize distribution efficiency and effectiveness, we follow the Six Sigma methodology, which is an analytical approach that emphasizes setting high-quality objectives, collecting data, and analyzing results to a fine degree in order to improve processes, reduce costs, and enhance service accuracy and safety. We provide solutions to our customers including supply management technology, world-class marketing programs, managed care, repackaging products, and services to help them meet their business and quality goals. We continue to implement information systems to help achieve greater consistency and accuracy both internally and for our customers, as well as make investments to increase capacity and automation.

We have four primary customer pharmaceutical distribution channels: (i) retail national accounts, which include national and regional retail chains, food and drug combinations, mail order pharmacies, and mass merchandisers, (ii) community pharmacies and health (formerly described as independent, small, and medium chain retail pharmacies), (iii) institutional healthcare providers such as hospitals, health systems, integrated delivery networks, and long-term care providers, and (iv) oncology, biopharma, and other specialty partners.

McKESSON CORPORATION

Retail National Accounts: We provide business solutions that help our retail national account customers increase revenues and profitability. Solutions include:

- Central FillSM – Prescription refill service that enables pharmacies to more quickly refill prescriptions remotely, more accurately, and at a lower cost, while reducing inventory levels and improving customer service.
- Strategic Redistribution Centers – Two facilities totaling over 740,000 square feet that offer access to inventory for single source warehouse purchasing, including pharmaceuticals and biologics. These distribution centers also provide the foundation for a two-tiered distribution network that supports best-in-class direct store delivery.
- McKesson SynerGx[®] – Generic pharmaceutical purchasing program and inventory management that helps pharmacies maximize their cost savings with a broad selection of generic drugs, competitive pricing, and one-stop shopping.
- Inventory Management – An integrated solution comprised of forecasting software and automated replenishment technologies that reduce inventory-carrying costs.
- ExpressRx Track[™] – Pharmacy automation solution featuring state-of-the-art robotics, upgraded imaging, and expanded vial capabilities, and industry-leading speed and accuracy in a small footprint.

Community Pharmacy and Health: We strengthen the overall health of community pharmacies and elevate the role they play in people's lives. We accomplish this by providing supply chain excellence, pharmacy and patient solutions, as well as supporting independent pharmacies through industry and legislative advocacy. Our pharmacy and patient solutions include:

- Health Mart[®] – A national network of approximately 4,500 independently-owned pharmacies and one of the industry's most comprehensive pharmacy franchise programs. Health Mart provides franchisees support for operational excellence, managed care contracting, marketing, merchandising solutions, and clinical programs to enhance patient care.
- Health Mart Atlas[®] – Comprehensive managed care services that help community pharmacies save time, access competitive reimbursement rates, and improve cash flow.
- McKesson Reimbursement AdvantageSM ("MRA") – MRA is one of the industry's most comprehensive reimbursement optimization packages, comprising financial services (automated claim resubmission), analytic services, and customer care.
- McKesson Provider Pay[®] – Provider Pay is an automated reconciliation and payment management solution designed to maximize third-party cash flow and pursue unpaid claims.

integrated, community-based oncology practices dedicated to advancing high-quality, evidence-based cancer care. SCRI Oncology, LLC, an oncology research business in which we own a 51% controlling interest, is one of the nation's largest research networks and specializes in enhancing clinical trial access and availability across the country.

This segment includes Ontada®, McKesson's oncology technology and insights business providing software to support the clinical, financial, and operational needs of our oncology practice customers. Ontada also partners with oncology providers and biopharma partners to perform real-world evidence studies, retrospective research, and to provide clinical data insights, advisory solutions and education opportunities.

When we discuss specialty products or services, we consider the following factors: diseases requiring complex treatment regimens such as cancer and rheumatoid arthritis; plasma and biologics products; ongoing clinical monitoring requirements, high-cost, special handling, storage, and delivery requirements and, in some cases, exclusive distribution arrangements. Our use of the term "specialty" may not be comparable to that used by other industry participants, including our competitors.

McKesson Canada is one of the largest pharmaceutical wholesale and retail distributors in Canada. The wholesale business delivers products to retail pharmacies, hospitals, long-term care centers, clinics and institutions in Canada through a national network of distribution centers and provides logistics and distribution services for manufacturers.

Beyond wholesale pharmaceutical logistics and distribution, McKesson Canada provides automation and technology solutions to its retail and hospital customers. Additionally, McKesson Canada provides comprehensive specialty health services to Canadians and provides biopharma services to manufacturers, including a national network of specialty pharmacies, personalized patient care and support programs, and INVIVA, Canada's first and largest accredited network of private infusion clinics. McKesson Canada also owns and operates PDCI, Canada's leading market access consultancy, supporting manufacturers as they introduce new products into the Canadian market.

The Canada retail business includes approximately 2,700 banner pharmacies under the IDA®, Guardian®, The Medicine Shoppe®, Remedy'sRx®, Proxim®, and Uniprix® banners, and approximately 400 owned pharmacies under the Rexall™ brand where we provide patients with greater choice and access, integrated pharmacy care and industry-leading service levels. McKesson Canada also owns and operates Well.ca™, a leading Canadian online health and wellness retailer.

Our Medical-Surgical Solutions segment provides medical-surgical supply distribution, logistics, and other services to healthcare providers, including physician offices, surgery centers, nursing homes, hospital reference labs, home health care agencies, and other alternative sites with competition from a wide range of national and regional medical supply and equipment distributors throughout the U.S.

In addition, we compete with other service providers and healthcare manufacturers, as well as other potential customers of our businesses, which may from time to time decide to develop, for their own internal needs, supply management capabilities that might otherwise be provided by our businesses. We believe that our scale and diversity of product and service offerings are our primary competitive advantages. In all areas, key competitive factors include price, quality of service, breadth of product lines, innovation, adoption of new and evolving technologies, and, in some cases, convenience to the customer.

Patents, Trademarks, Copyrights, and Licenses

McKesson and its subsidiaries hold patents, copyrights, trademarks, and trade secrets related to McKesson products and services. We pursue patent protection for our innovations and obtain copyright protection for our original works of authorship when such protection is advantageous. Through these efforts, we have developed a portfolio of patents and copyrights in the U.S. and worldwide. In addition, we have registered or applied to register certain trademarks and service marks in the U.S. and in foreign countries.

McKESSON CORPORATION

We believe that, in the aggregate, McKesson's confidential information, patents, copyrights, trademarks, and intellectual property licenses are important to its operations and market position, but we do not consider any of our businesses to be dependent upon any one patent, copyright, trademark, or trade secret, or any family or families of the same. We cannot guarantee that our intellectual property portfolio will be sufficient to deter misappropriation, theft, or misuse of our technology, nor that we can successfully enjoin infringers. We periodically receive notices alleging that our products or services infringe on third-party patents and other intellectual property rights. These claims may result in McKesson entering settlement agreements, paying damages, discontinuing use or sale of accused products, or ceasing other activities. While the outcome of any litigation or dispute is inherently uncertain, we do not believe that the resolution of any of these infringement notices would have a material adverse impact on our results of operations.

We hold inbound licenses for certain intellectual property that is used internally, and in some cases, utilized in McKesson's products or services. While in the future it may be necessary to seek or renew licenses relating to various aspects of our products and services, we believe, based upon past experience and industry practice, such licenses generally can be obtained on commercially reasonable terms. We believe our operations as well as our products and services are not materially dependent on any single license or other agreement with any third party.

Human Capital

Everything we do at McKesson begins with our employees, who bring our mission and purpose to life every day. As of March 31, 2024, we had approximately 51,000 employees worldwide, which includes 6,000 part-time employees. We had approximately 35,000 employees in the U.S., 13,000 employees in Canada, and 3,000 employees in Europe. Our employees in Europe primarily support our operations in Norway. We also supplement our work-force with contractors and/or consultants for certain business projects, processes, and/or operations as demand requires.

Inclusion and Belonging: As a company, we believe building a more inclusive future is everyone's responsibility. We build successful teams by fostering a culture of inclusion and belonging and ensuring we attract and retain the best talent at all levels of our organization. To help strengthen our company, we offer various learning opportunities, such as our company-wide inclusion curriculum and additional initiatives to recognize, value and leverage the diversity of our workforce, enhance the inclusiveness of our culture and candidly discuss important topics happening in the world around us. We also offer employees the opportunity to join employee resource groups ("ERGs"), which are voluntary, employee-led, company-sponsored networks that aim to make a positive impact on our employees' lives. Our ERGs focus on helping employees make authentic connections, share and affirm their identities and perspectives, showcase leadership skills and find ways to nurture and support belonging and empowerment. Our 11 ERGs provide a sense of community and insights into the perspectives and experiences across different ethnicities, genders, generations, abilities, and/or military/veteran status, as well as supporting members and allies of the LGBTQIA+ community.

At March 31, 2024, women and people of color represented the following:

	McKesson Overall	McKesson Leadership (2)
Metric (1)		
Women	62 %	43 %
People of Color (3) (4)	49 %	28 %

- (1) The data for our metrics is derived from our voluntary self-identification process as of March 31, 2024 and therefore represents our best estimate at this time.
- (2) Represents our leadership at the vice president level and above.
- (3) Represents U.S. employees only because the data for Canada and Europe is not available.
- (4) People of Color includes the following self-identification categories: American Indian or Alaska Native, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Other Pacific Islander, or Two or More Races.

McKESSON CORPORATION

Culture and Leadership: One of McKesson's defining characteristics is our strong culture. Every day, we bring our employee value proposition to life by taking pride in fostering a sense of belonging, finding meaning in our work, and caring for each other, our customers, and all those who depend on us. More than two decades ago, our leadership team created a foundational set of values grounded in the belief that the way we do business is just as important as the business itself. Today, our I²CARE values (Integrity, Inclusion, Customer-First, Accountability, Respect, Excellence) and ILEAD leadership behaviors (Inspire, Leverage, Execute, Advance, Develop) continue to stand the test of time and remain at the core of our daily actions – from how we interact with each other and our customers, to how we make decisions, both big and small. As we work to shape the future of health and embrace the ongoing evolution of our company, we will continue to utilize our strengths to drive lasting change while remaining deeply rooted in our purpose of Advancing Health Outcomes for All®.

Investment in Employees: As an industry leader, we are committed to investing in our people, so that they, in turn, can focus on making better health possible for people everywhere. We are committed to nurturing a culture of wellbeing that empowers our employees to be at their best, including offering health and wellness benefits to advance their physical, mental, and social well-being, savings programs to help prepare them for retirement and flexible work arrangements, among other offerings, when possible. To support growth and career development, we offer employees regular training, coaching, and 360-degree assessments, and financial assistance programs for higher education opportunities.

To provide compensation that is focused on attracting and retaining talent with the skills and experience necessary for a specific role, our compensation program is built on a set of quantifiable factors defined by our guiding principles of internal equity, market competitiveness and pay for performance. We operate in several countries and our benefits vary accordingly. Our compensation philosophy is rooted in a commitment to our people by offering a fair and transparent program that regularly assesses the competitive job market based on geography and cost of labor. We use external resources to provide competitive benchmarking analyses against other companies and set pay ranges around the median of the competitive market. As part of our commitment to pay transparency, the majority of our employees can view the competitive base pay range for their roles as well as for internal and external job postings. Also, the pay range for external job postings is included on McKesson's website (www.mckesson.com under the "Careers" caption).

As we strive to become the best place to work in healthcare, we actively seek employee feedback through annual and mid-year employee opinion surveys, which assesses our employees' levels of engagement, commitment and overall satisfaction using industry benchmarks, and then design action plans to improve those metrics. We also seek feedback on our people leaders through our annual manager quality survey, which is an opportunity for employees to help their managers grow professionally and build valuable leadership skills that help to promote a positive and productive workplace.

Health and Safety: Our security and safety teams employ systems designed to continually monitor our facilities and work environment to help identify and prevent or mitigate potential risks. This includes having procedures in place and investing in equipment for both physical

and electronic security. We routinely assess facilities to closely monitor adherence to established security and safety standards. If we identify a vulnerability, it is documented, and the facility prepares an action plan. Our employees receive specialized training related to their role, work setting, and equipment used in their work environment. As our processes evolve, we update relevant safety training modules, which may include new employee training programs.

Government Regulation

We operate in many highly regulated industries and are subject to oversight by various federal, state, and local governmental entities in the U.S. and elsewhere. We incur significant expense and make large capital expenditures and investments to enable us to comply with regulations and guidance promulgated by governmental entities. See “Risk Factors” in Item 1A of Part I below for information regarding material risks associated with our compliance with governmental regulations.

McKESSON CORPORATION

Controlled Substances: We are subject to the operating and security standards of the U.S. Drug Enforcement Administration (“DEA”), the U.S. Food and Drug Administration (“FDA”), the U.S. Department of Health and Human Services (“HHS”), the Centers for Medicare & Medicaid Services (“CMS”), various state boards of pharmacy, state health departments, and comparable agencies in the U.S. and other countries. Certain of our businesses may be required to register for permits and/or licenses with government agencies, depending upon the type of operations and location of product development, manufacture, distribution, and sale. For example, we are required to hold valid DEA and state-level registrations and licenses, meet various security and operating standards, and comply with the Controlled Substances Act and its accompanying regulations governing the sale, marketing, packaging, holding, distribution, and disposal of controlled substances. We maintain extensive controlled substance monitoring and reporting programs at considerable expense in order to help us meet those standards.

Government Contracts: Our contracts with government entities typically are subject to procurement laws that include socio-economic, employment practices, environmental protection, recordkeeping and accounting, and other requirements. These statutory and regulatory requirements complicate our business and increase our compliance burden. We are subject to audits, investigations, and oversight proceedings about our compliance with contractual and legal requirements.

Federal, state, and local governmental entities in the U.S. and elsewhere continue to strengthen their position and scrutiny of practices that may indicate fraud, waste, and abuse affecting government healthcare programs such as Medicare and Medicaid. Our relationships with pharmaceutical and medical surgical product manufacturers, healthcare providers, and other companies and individuals, as well as our provision of products and services to government entities, subject our business to statutes, regulations, and government guidance that are intended to prevent fraud and abuse. Among other things, those laws: (1) prohibit persons from soliciting, offering, receiving, or paying any remuneration in order to induce the referral of an individual for, or to induce the ordering or purchasing of, items or services that are in any way paid for by Medicare, Medicaid, or other government healthcare programs; (2) impose many restrictions upon referring physicians and providers of designated health services under Medicare and Medicaid programs; and (3) prohibit the knowing submission of a false or fraudulent claim for payment to, and knowing retention of an overpayment by, a federal healthcare program such as Medicare and Medicaid. Many of these laws are vague or indefinite and are often subject to varied and evolving interpretations by courts, regulators, and enforcing agencies and, as such, may be interpreted or applied by a prosecutorial, regulatory, or judicial authority in a manner that could require us to make changes in our operations at added expense.

Healthcare Program Regulation: In the U.S., the Patient Protection and Affordable Care Act (“ACA”) significantly expanded health insurance coverage to uninsured Americans and changed the way healthcare is financed by both governmental and private payors. The implementation of the Inflation Reduction Act of 2022 (the “IRA”) has begun to change benefit design and how Medicare pays for drugs, which are all intended to reduce the price of drugs. Three central features of the IRA have authorized the government to negotiate drug

prices for certain Parts B and D drugs over time, establish an inflation rebate program, and cap patient cost sharing under Medicare Part D.

Provincial governments in Canada that provide partial funding for the purchase of pharmaceuticals and independently regulate the sale and reimbursement of drugs have sought to reduce the costs of publicly funded health programs. For example, provincial governments have taken steps to reduce consumer prices for generic pharmaceuticals and, in some provinces, change professional allowances paid to pharmacists by generic drug manufacturers.

McKesson continues to advocate for policies that would improve drug cost transparency under a patient's drug plan to better inform prescribing decisions, and also address access to care, affordability, and treatment regimen adherence, all designed to improve clinical outcomes and reduce the health spending burden.

FDA Regulation and Supply Chain Integrity: In the U.S., the FDA is the principal federal authority that regulates the safety, efficacy, quality, testing, premarket approval, manufacture, labeling, storage, distribution, and post-market surveillance of healthcare products, such as drugs and medical devices, foods, and cosmetics.

McKESSON CORPORATION

Certain federal and state laws regulate the pharmaceutical drug supply chain in order to prevent the distribution of counterfeit, stolen, contaminated, or otherwise harmful prescription drugs in interstate commerce. At the federal level, the Drug Supply Chain Security Act (“DSCSA”) requires standardized, unit-level traceability of pharmaceutical products along the entire drug supply chain and requires all trading partners to cooperate in an electronic, interoperable prescription drug traceability system. In August 2023, the FDA established a one-year stabilization period to certain DSCSA requirements that allows trading partners to implement, troubleshoot, and mature their electronic interoperable systems until the stabilization period ends on November 27, 2024. The FDA has also issued a proposed rule that would establish national standards for the licensure of wholesale drug distributors and third-party logistic providers and other requirements applicable to these entities. These federal and state regulatory requirements increase our compliance burden and our distribution costs.

Cybersecurity, Data Security, and Privacy: We are subject to many cybersecurity, privacy, and data protection laws that change frequently and have requirements that vary from jurisdiction to jurisdiction. Our efforts to comply with these laws complicates our operations and adds to our costs. We are subject to significant compliance obligations under privacy laws such as the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), the General Data Protection Regulation (“GDPR”) in the European Union, the Personal Information Protection and Electronic Documents Act (“PIPEDA”) in Canada, and an expanding list of comprehensive state privacy laws in the U.S. Some privacy laws prohibit the transfer of personal information to certain other jurisdictions or otherwise limit our use of data. Many of these laws also require us to provide access or other data rights (modification, deletion, portability, etc.) to consumers’ and patients’ individual personal data records within specified periods of time. Cybersecurity laws such as the federal Cyber Incident Reporting for Critical Infrastructure Act of 2022, proposed Federal Acquisition Regulations, and recent amendments to SEC reporting requirements may require us to provide notifications of certain cybersecurity incidents before our investigations are complete and within short timeframes. Regulations and guidance targeting critical infrastructure entities, including McKesson, continue to be a focus of regulators. We are subject to privacy and data protection compliance audits or investigations by various government agencies. The introduction of new technologies, such as AI, may result in additional regulation.

Environmental Regulation: We are subject to many environmental and hazardous materials regulations, including those relating to radiation-emitting equipment operated at U.S. Oncology Network practices. Additionally, our operations are subject to regulations under various federal, state, local and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites.

We sold our chemical distribution operations in 1987 and retained responsibility for certain environmental obligations. Agreements with the U.S. Environmental Protection Agency and certain states have required and may require environmental assessments and cleanups at several closed sites. These matters are described further in Financial Note 17,

“Commitments and Contingent Liabilities,” to the consolidated financial statements included in this Annual Report.

Climate Change Regulation: Governments in the U.S. and abroad have adopted or are considering new or expanded policies and laws to address climate change. Such policies and laws may require or necessitate reductions of greenhouse gas (“GHG”) emissions, mandates that companies implement processes and controls to monitor and disclose climate-related matters, additional taxes or offset charges on specified energy sources, and other requirements. Compliance with climate-related policies and laws may be further complicated by disparate regulatory approaches in various jurisdictions. Methodologies for reporting climate-related information may change and previously reported information may be retroactively adjusted, if required. New or expanded climate-related policies and laws could impose costs on us, including capital expenditures to develop data gathering and reporting systems, costly third-party attestations, and additional GHG reduction measures. Until the timing and extent of climate-related policies and laws are clarified, including due to legal challenges, we cannot predict their potential effect on our capital expenditures, results of operations, or competitive position.

McKESSON CORPORATION

We experience costly legal disputes, government actions, and adverse publicity regarding our role in distributing controlled substances such as opioids.

The Company is a defendant in many litigation matters alleging claims related to the distribution of controlled substances (opioids), as described in Financial Note 17, “Commitments and Contingent Liabilities,” to the consolidated financial statements in this Annual Report. We are sometimes named as a defendant in similar, new cases. The plaintiffs in those cases include governmental entities (such as states, provinces, counties, and municipalities) as well as businesses, groups, and individuals. The cases allege violations of controlled substance laws and other laws, and they make common law claims such as negligence and public nuisance. Many of these cases raise novel theories of liability and can have unexpected outcomes that we believe are not justified by evidence or existing law. Legal proceedings such as these often involve significant expense, management time and distraction, and risk of loss that can be difficult to predict or quantify. It is not uncommon for claims to be resolved over many years. Outcomes include monetary damages, penalties and fines, and injunctive or other relief that requires us to change our business operations and incur significant expense. Although the Company has valid defenses and is vigorously defending itself, some proceedings have been and others may be resolved by negotiated outcome. For example, we are subject to consent decrees issued by state courts that govern our distribution of controlled substances. Not all proceedings, however, are resolved by settlement. Our reputation has been and may continue to be impacted by publicity regarding opioids litigation and related allegations. An adverse outcome of any such legal proceedings might have a materially adverse impact on our business operations and our financial position or results of operations.

We experience increased costs to distribute controlled substances such as opioids.

Legislative, regulatory, or industry measures related to the distribution of controlled substances such as prescription opioids could affect our business in ways that we may not be able to predict. For example, some states have passed legislation that could require us to pay taxes or assessments on the distribution of opioid medications in those states and other states have considered similar legislation. Liabilities for taxes or assessments or other costs of compliance under any such laws might have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

We are subject to extensive, complex, and challenging healthcare, environmental, and other laws.

As described in “Government Regulation” in Item 1 of Part I above, our industry is highly regulated, and further regulation of our distribution businesses, technology products, and services could impose increased costs, negatively impact our profit margins and the profit margins of our customers, delay the introduction or implementation of our new products, or otherwise negatively impact our business and expose the Company to litigation and regulatory investigations. We incur cleanup costs under environmental laws and may incur additional costs under environmental laws. Additionally, we are subject to various routine and ad hoc inspections and requests for information by government agencies to determine compliance with various statutes and regulations. Any noncompliance by us with applicable

Factors that may be considered a change in circumstances indicating that the carrying value of our intangible and other long-lived assets may not be recoverable include slower growth rates, the loss of a significant customer, burdensome new laws, or divestiture of a business or asset for less than its carrying value. There are inherent uncertainties in management's estimates, judgments, and assumptions used in assessing recoverability of goodwill, intangibles, and other long-lived assets. Any material changes in key assumptions, including failure to meet business plans, negative changes in government reimbursement rates, a deterioration in the U.S. and global financial markets, an increase in interest rates, an increase in inflation, or an increase in the cost of equity financing by market participants within the industry, or other unanticipated events and circumstances, may decrease the projected cash flows or increase the discount rates and could potentially result in an impairment charge. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible and other long-lived assets is determined, which might have a materially adverse impact on our business operations and our financial position or results of operations.

McKESSON CORPORATION

We experience cybersecurity incidents that might significantly compromise our technology systems or might result in material data breaches.

We, our external service providers, vendors, and other third parties with which we do business, use technology and systems to perform our business operations, such as the secure electronic transmission, processing, storage, and hosting of sensitive information, including protected health information and other types of personal information, confidential financial information, proprietary information, and other sensitive information relating to our customers, company, and workforce. Despite conducting our own physical, technical, and administrative security measures as well as third party risk management processes as discussed in “Cybersecurity” in Item 1C of Part I below, technology systems and operations of the Company and third parties, including our external service providers and vendors, with which we do business have experienced cybersecurity incidents and are subject to future cyberattacks and cybersecurity incidents. Cybersecurity incidents include unauthorized occurrences on or conducted through our or our third parties’ information systems, such as tampering, malware insertion, ransomware attacks, or other system integrity events. The risk and efficacy of cyberattacks increases from time to time due to a variety of internal and external factors, including the adoption of sophisticated and rapidly evolving techniques, such as adversarial AI, and during political tensions, military conflicts, or civil unrest. A cybersecurity incident might involve a material data breach or other material impact to the confidentiality, integrity, availability, and operations of our technology systems or data, which might result in harm to patients, consumers, or employees; litigation or regulatory action; disruption of our business operations; loss of customers or revenue; cash flow impacts; and increased expense. Any of these scenarios might have a materially adverse impact on our business, our reputation, and our financial position or results of operations.

We experience significant problems with information systems or networks.

We rely on sophisticated information systems and networks to perform our business operations, such as to obtain, rapidly process, analyze, and manage data that facilitate the purchase and distribution of thousands of inventory items from distribution centers. We provide remote services that involve hosting customer data and operating software on our own or third-party systems. Our customers rely on their ability to access and use these systems and their data as needed. The networks and hosting systems are vulnerable to interruption or damage from sources beyond our control, such as power loss, telecommunications failures, fire, natural disasters, including as a result of climate change, software and hardware failures, and cybersecurity incidents. If those information systems or networks suffer errors, interruptions, or become unavailable, or if the timely delivery of medical care or other customer business requirements are impaired by data access, network, or systems problems, we might experience injury to patients or consumers, litigation or regulatory action, disruption of our business operations, loss of customers or revenue, cash flow impacts, and increased expense. Any such problems might have a materially adverse impact on our business, our reputation, and our financial position or results of operations.

Our technology products or services might not conform to specifications or perform as we intend.

We sell and provide services involving complex software and technology that may contain errors, especially when first introduced to market. Healthcare professionals delivering patient care tend to have heightened sensitivity to system and software errors. If our software and technology services are alleged to have contributed to faulty clinical decisions, compromised continuity of patient care, or injury to patients, we might be subject to regulatory scrutiny, claims or litigation by users of our software or services and/or their patients. Errors or failures might damage our reputation and negatively affect future sales. A failure of a system or software to conform to specifications might constitute a breach of warranty that could result in repair costs, contract termination, refunds of amounts previously paid, or claims for damages. These risks can be heightened upon the adoption of rapid evolution or new technologies, including AI, and may introduce new or expanded risks, such as data inaccuracy, unreliability, or bias. Any of these types of errors or failures might have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

Pharmaceutical and medical products that we distribute might not conform to specifications or perform as intended.

We distribute pharmaceutical, medical, and other FDA-regulated products manufactured by third parties and by our private label businesses, including medications that may be temperature sensitive and have limited shelf lives. Our systems and procedures are designed to maintain the safety and efficacy of the products throughout the sourcing and distribution process. Issues affecting product efficacy or safety can arise from manufacturing, storing, distributing, dispensing or using products, and can result in safety alerts, recalls, regulatory action, civil lawsuits, fines or other sanctions, and reputational damage. Any of these types of issues or results might have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

On March 10, 2020, the Company completed a separation of its interest in Change Healthcare LLC (“Change Healthcare JV”). The divestiture was effected through the split-off of PF2 SpinCo, Inc. (“SpinCo”), a wholly owned subsidiary of the Company that held all of the Company’s interest in the Change Healthcare JV, to certain of the Company’s stockholders through an exchange offer (the “Exchange Offer”), followed by a merger of SpinCo with and into Change Healthcare Inc. (“Change”), with Change surviving the merger (the “Merger” and, together with the Exchange Offer, the “Transactions”). The Company received an opinion from outside legal counsel to the effect that the Transactions qualified as generally tax-free transactions to the Company and its shareholders for U.S. federal income tax purposes. An opinion of legal counsel is not binding on the Internal Revenue Service (the “IRS”) or the courts, and the IRS or the courts may not agree with the intended tax-free treatment of the Transactions. In addition, the opinion could not be relied upon if certain assumptions, representations, and undertakings upon which the opinion was based are materially inaccurate or incomplete, or are violated in any material respect. If the intended tax-free treatment of the Transactions is not sustained, the Company and its stockholders who participated in the Transactions may be required to pay substantial U.S. federal income taxes. In connection with the Transactions, the Company, SpinCo, Change, and the Change Healthcare JV entered into the Tax Matters Agreement, which governs their respective rights, responsibilities, and obligations with respect to tax liabilities and benefits, tax attributes, tax contests, and other tax sharing regarding U.S. federal, state, and local, and non-U.S. taxes, other tax matters, and related tax returns. Under the Tax Matters Agreement, Change is required to indemnify the Company if the Transactions become taxable as a result of certain actions by Change or SpinCo, or as a result of certain changes in ownership of the stock of Change after the Merger. If Change does not honor its obligations to indemnify the Company, or if the Transactions fail to qualify for the intended tax-free treatment for reasons not related to a disqualifying action by Change or SpinCo, the resulting tax to the Company could have a significant adverse effect on our financial position or results of operations.

McKESSON CORPORATION

We might be adversely impacted by outsourcing or similar third-party relationships.

We rely on third parties to perform certain business and administrative functions for us. We might not adequately develop, implement, and monitor these outsourced service providers, and we might not realize expected cost savings or other benefits. Third-party services providers experience cybersecurity incidents and can fail to perform their obligations due to various causes, which might cause us to incur operational difficulties, additional compliance requirements, or increased costs related to outsourced services. For example, our ability to use outsourcing resources in certain jurisdictions might be limited by legislative action or customer contracts, with the result that the work must be performed at greater expense or we may be subject to sanctions for non-compliance. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

We may be unsuccessful in achieving our strategic growth objectives.

Our business strategy as a diversified healthcare services company includes investing to build an integrated oncology service business and expand our biopharma services business. Our ability to grow those businesses will depend on our: hiring and retaining talented individuals with necessary knowledge and skills; acquiring, developing, and implementing new technologies and capabilities; forming and expanding business relationships; and successfully competing against providers of similar services. New technologies may not result in the benefits we anticipate or enable us to maintain a competitive advantage. AI technology is continuously evolving, and the AI technologies we employ may become obsolete earlier than planned. Additionally, some historical competitors and a growing number of new competitive entrants have more experience than we do in enabling technologies such as data analytics, machine learning, or AI.

We may not achieve our desired return on our investments through our growth strategies. If we fail to achieve acceptable sales and profitability in our strategic growth areas, it might have a materially adverse impact on our business prospects and our financial position or results of operations.

We are impacted by customer purchase reductions, contract non-renewals, payment defaults, and bankruptcies.

Some of our customers from time to time reduce the amounts they purchase from us, do not renew their purchase contracts with us, delay or default on their payments to us, or avoid payments to us through bankruptcy proceedings. At March 31, 2024, sales to our largest customer represented approximately 28% of our total consolidated revenues and approximately 24% of our total trade receivables, and those of our ten largest customers combined accounted for approximately 69% of our consolidated revenues and approximately 43% of our trade receivables. Refer to “Other Information about the Business” in Item 1 of Part I above for additional details on our customers. One or more customer purchase reductions, contract non-renewals, payment defaults, or bankruptcies might have a materially adverse impact on our business operations and our financial position or results of operations.

McKESSON CORPORATION

We might be harmed by changes in our relationships or contracts with suppliers.

We attempt to structure our pharmaceutical distribution agreements with manufacturers to ensure that we are appropriately and predictably compensated for the services we provide. Certain distribution agreements with manufacturers include pharmaceutical price inflation as a component of our consideration, and we cannot control the frequency or magnitude of pharmaceutical price changes. Laws limiting or reducing pharmaceutical prices, and changes to manufacturers' pricing policies or practices as a result of changing laws, impact our distribution agreements. We might be unable to renew pharmaceutical distribution agreements with manufacturers in a timely and favorable manner. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

We might infringe intellectual property rights or our intellectual property protections might be inadequate.

We believe that our products and services do not infringe the proprietary rights of third parties, but third parties have asserted infringement claims against us and may do so in the future. If a court were to hold that we infringed other's rights, we might be required to pay substantial damages, develop non-infringing products or services, obtain a license, stop selling or using the infringing products or services, or incur other sanctions. We rely on trade secret, patent, copyright, and trademark laws, nondisclosure obligations, and other contractual provisions and technical measures to protect our proprietary rights in our products and solutions. We might initiate costly and time-consuming litigation to protect our trade secrets, to enforce our patent, copyright, and trademark rights and to determine the scope and validity of the proprietary rights of others. Our intellectual property protection efforts might be inadequate to protect our rights. Our competitors might develop non-infringing products or services equivalent or superior to ours. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

Our use of third-party data is subject to limitations that could impede the growth of our data services business.

We attempt to structure our diligence processes to satisfy contractual and other operative data usage rights and limitations associated with customer, industry partners, and other third-party data flowing through our businesses. These rights and limitations can apply to confidential commercial data and personal data provided to us. Failure to satisfy these data usage rights and limitations can lead to legal claims such as contractual breaches or privacy law violations. If a court were to hold that our use of data is not consistent with our rights and limitations, we might be required to pay substantial damages; we might need to stop using, sharing, and/or selling certain products and services; or we might incur other financial, legal, and/or reputational consequences. In addition, in order to reach our data strategy growth and AI objectives, we might be unable to negotiate and/or obtain at an acceptable cost the data usage rights needed to advance such goals. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

Industry and Economic Risks

Many of our products and services are designed and intended to function within the structure of current healthcare financing and reimbursement systems. The healthcare industry and related government programs are changing. Some of these changes increase our risks and create uncertainties for our business.

For example, some changes in reimbursement methodologies (including government rates) for pharmaceuticals, medical treatments, and related services reduce profit margins for us and our customers and impose new legal requirements on healthcare providers. Those changes have included cuts in Medicare and Medicaid reimbursement levels, changes in the basis for payments, shifts from fee-for-service pricing towards value-based payments and risk-sharing models, and increases in the use of managed care.

In the U.S., the ACA significantly expanded health insurance coverage to uninsured Americans and changed the way healthcare is financed by both governmental and private payors. Enactment of the IRA and its implementation over the next several years is anticipated to bring meaningful changes in how Medicare pays for drugs and various benefit design changes, which are all intended to reduce the price of drugs. Three central features of the IRA would authorize the government to negotiate drug prices for certain Parts B and D drugs over time, establish an inflationary rebate program, and cap patient cost sharing under Medicare Part D. The implementation of these and other features of the IRA may result in significant changes to the pharmaceutical value chain as manufacturers, pharmacy benefit managers, managed care organizations, and other industry stakeholders look to implement new transactional flows and adapt their business models. Any such changes to arrangements involving our business as a result of this legislation, such as changes to our distribution agreements with manufacturers impacted by the IRA, may materially affect our business. The extent of the effects of the IRA remains uncertain due to a number of factors, including the potential for future regulations and guidance promulgated by HHS to implement provisions of the IRA. We continue to evaluate the impact of this law on our business.

Private challenges to government healthcare policy may also have significant impacts on our business. For example, many pharmaceutical manufacturers have unilaterally restricted sales under the 340B drug pricing program to contract pharmacies. The 340B drug pricing program requires manufacturers to offer discounts on certain drugs purchased by “covered entities,” which include safety-net providers. The Health Resources and Services Administration has taken the position that a covered entity may dispense such discounted drugs through multiple contract pharmacies. Starting in 2020, some manufacturers began to restrict such practices. Some manufacturers and HHS continue to litigate these issues. The U.S. Court of Appeals for the Third Circuit has ruled that Section 340B does not require manufacturers to provide discounted drugs to an unlimited number of contract pharmacies. Two other courts of appeal are addressing this issue but have not yet ruled. Any changes to our arrangements that result from the rulings in these cases might have an adverse impact on our business.

Provincial governments in Canada that provide partial funding for the purchase of pharmaceuticals and independently regulate the sale and reimbursement of drugs have sought to reduce the costs of publicly funded health programs. For example, provincial governments have taken steps to reduce consumer prices for generic pharmaceuticals and, in some provinces, change professional allowances paid to pharmacists by generic manufacturers.

Although there is substantial uncertainty about the likelihood, timing, and results of these health reform efforts, their implementation might have a materially adverse impact on our business operations and our financial position or results of operations.

McKESSON CORPORATION

We might be adversely impacted by competition and industry consolidation.

Our businesses face a highly competitive global environment with strong competition from international, national, regional, and local full-line, short-line, and specialty distributors, service merchandisers, self-warehousing chain drug stores, manufacturers engaged in direct distribution, third-party logistics companies, and large payer organizations. In addition, our businesses face competition from various other service providers and from pharmaceutical and other healthcare manufacturers as well as other potential customers, which may from time-to-time decide to develop, for their own internal needs, supply management capabilities that might otherwise be provided by our businesses. We also may face competition from companies that move faster to adopt emerging technologies. Due to consolidation, a few large suppliers control a significant share of the pharmaceuticals market. This concentration reduces our ability to negotiate favorable terms with suppliers and causes us to depend on a smaller number of suppliers. Many of our customers, including healthcare organizations, have consolidated or joined group purchasing organizations and have greater power to negotiate favorable prices. Consolidation by our customers, suppliers, and competitors might reduce the number of market participants and give the remaining enterprises greater bargaining power, which might lead to erosion in our profit margin. Consolidation might increase counter-party credit risk because credit purchases increase for fewer market participants. These competitive pressures and industry consolidation might have a materially adverse impact on our business operations and our financial position or results of operations.

We are adversely impacted by changes or disruptions in product supply and have difficulties in sourcing or selling products due to a variety of causes.

We experience difficulties and delays in sourcing and selling products due to a variety of causes, from time to time, such as: difficulties in complying with the legal requirements for export or import of pharmaceuticals or components; suppliers' failure to satisfy production demand; manufacturing or supply problems such as inadequate resources; new innovative therapies that are expensive, complex, and fast-growing; product rationalization; and real or perceived quality issues. For example, the FDA banned certain manufacturers from selling raw materials and drug ingredients or finished goods in the U.S. due to quality issues. Difficulties in product manufacturing or access to raw materials or finished goods could result in supplier production shutdowns, product shortages, and other supply disruptions.

Supply interruptions are often due to a variety of causes over which we have no control, such as export controls or trade sanctions, labor disputes, unavailability of key manufacturing sites, inability to procure raw materials or finished goods, quality control concerns, ethical sourcing issues, supplier's financial distress or bankruptcy, natural disasters, including as a result of climate change, civil unrest or acts of war, the impact of epidemics or pandemics, and other general supply constraints. In these situations there may be no alternative sources of supply. Our inventory might be requisitioned, diverted, or allocated by government order such as under emergency, disaster, and civil defense declarations. Changes in the healthcare industry's or our suppliers' pricing, selling, inventory, distribution, or supply policies or practices could significantly reduce our revenues and net income. Any of these changes or disruptions might have a materially adverse impact on our business operations and our financial position or results of operations.

We might be adversely impacted as a result of our distribution of generic pharmaceuticals.

Our generic pharmaceuticals distribution business is subject to both availability and pricing risks. We might experience disruptions in our supply of higher margin pharmaceuticals, including generic pharmaceuticals. We have been impacted when, due to regulatory and supply chain challenges, our supplier partners are not able to deliver products that we have committed to purchase and source from them. Input cost increases and market shortages could result in ClarusONE, our joint venture with Walmart Inc., being unsuccessful in sourcing product to meet the needs of our customers, or negatively impacting our margin. Generic drug manufacturers offer a generic version of branded pharmaceuticals and routinely challenge the validity or enforceability of branded pharmaceutical patents in order to launch the drug pre- or post-loss of exclusivity. Patent holders have asserted infringement claims against us for distributing those generic versions they believed to have infringed a patent, and the generic drug manufacturers may not fully indemnify us against such claims. These risks and outcomes, as well as changes in the availability, pricing volatility, regulatory, or significant changes in the nature, frequency, or magnitude of generic pharmaceutical launches, might have a materially adverse impact on our business operations and our financial position or results of operations.

McKESSON CORPORATION

We might be adversely impacted by changes in the economic environments in which we operate, including from inflation, an economic slowdown, or a recession.

Inflationary conditions result in increased transportation, operational, and other administrative costs associated with our normal business operations and decreased levels of consumer commercial spending and, to the extent we are not able to offset such cost increases from our suppliers, increase the costs which we incur to purchase inventories and services. Inflationary pressure is increased by factors such as supply chain disruptions, including the reduced availability of key commodities, labor market tightness, and government policies that lower interest rates or do not raise them sufficiently to counteract inflation. An economic slowdown or a recession could reduce the prices our customers are able or willing to pay for our products and services and reduce the volume of their purchases. In addition to rising inflation, rising interest rates, the impact of banking failures or perceived failures and related contagion, political tensions, military conflicts, and civil unrest may contribute to recessionary pressure. Changes in the economic environments in which we operate might have a materially adverse impact on our business operations and our financial position or results of operations.

Changes affecting capital and credit markets might impede access to credit, increase borrowing costs, and disrupt banking services for us and our customers and suppliers and might impair the financial soundness of our customers and suppliers.

Volatility and disruption in global capital and credit markets, including the bankruptcy or restructuring of certain financial institutions, reduced lending activity by financial institutions, reduced creditworthiness of our customers or suppliers, or decreased liquidity and increased costs in the commercial paper market, might adversely affect the borrowing ability and cost of borrowing for us and our customers and suppliers. We generally sell our products and services under short-term unsecured credit arrangements. An adverse change in general or entity specific economic conditions or access to capital might cause our customers to reduce their purchases from us, or delay or fail paying amounts owed to us. Suppliers might increase their prices, reduce their output, or change their terms of sale due to limited availability of credit. Suppliers might be unable to make payments due to us for fees, returned products, or incentives. Interest rate increases or changes in capital market conditions, including as a result of macroeconomic events, might impede our or our customers' or suppliers' ability or cost to obtain credit. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

We might be adversely impacted by tax legislation or challenges to our tax positions.

We are subject to the tax laws in the U.S. at the federal, state, and local government levels and to the tax laws of other jurisdictions in which we operate or sell products or services. Tax laws might change in ways that adversely affect our tax positions, effective tax rate, and cash flow. The tax laws are extremely complex and subject to varying interpretations. For example, the European Union and other countries (including countries in which we operate) have committed to enacting changes to numerous long-standing tax

principles impacting how large multinational enterprises are taxed. In particular, the Organization for Economic Cooperation and Development's Pillar Two initiative introduces a 15% global minimum tax applied on a country-by-country basis which many jurisdictions have now committed to enact. The impact of these potential new regulations as well as any other changes in domestic and international tax regulations could have a material effect on our effective tax rate. We are subject to tax examinations in various jurisdictions that might assess additional tax liabilities against us. Our tax reporting positions are sometimes challenged by relevant tax authorities, we might incur significant expense in our efforts to defend those challenges, and we might be unsuccessful in those efforts. Developments in examinations and challenges might materially change our provision for taxes in the affected periods and might differ materially from our historical tax accruals. Any of these risks might have a materially adverse impact on our business operations, our cash flows, and our financial position or results of operations.

We might be adversely impacted by fluctuations in foreign currency exchange rates.

We conduct our business in various currencies, including the U.S. dollar, Canadian dollar, Euro, and British pound sterling. Changes in foreign currency exchange rates could reduce our revenues, increase our costs, or otherwise adversely affect our financial results reported in U.S. dollars. For example, we are exposed to transactional currency exchange risk due to our import and export of products that are purchased or sold in currencies other than the U.S. dollar. We also have currency exchange risk due to intercompany loans denominated in various currencies. Currency exchange rates and their volatility are affected by factors outside of our control, such as political tensions, military conflicts, and civil unrest. We may from time to time enter into foreign currency contracts, foreign currency borrowings, or other techniques intended to hedge a portion of our foreign currency exchange rate risks. These hedging activities may not completely offset the adverse financial effects of unfavorable movements in foreign currency exchange rates during the time the hedges are in place. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

General Risks

We might be adversely affected by events outside of our control, including: widespread public health issues, such as epidemic or pandemic infectious diseases; natural disasters such as earthquakes, floods, or severe weather, including as a result of climate change; political events such as terrorism, political tensions, military conflicts, civil unrest, and trade wars; and by other catastrophic events. These events can disrupt operations for us, our suppliers, our vendors, and our customers, as well as impair product manufacturing, supply, and transport availability and cost in unpredictable ways that depend on highly uncertain future developments. They might affect consumer confidence levels and spending or the availability of certain goods or commodities. In response to these types of events, we might suspend operations, implement extraordinary procedures, seek alternate sources for product supply, or suffer consequences that are unexpected and difficult to mitigate. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

The long-term effects of climate change are difficult to predict and may be widespread. The impacts may include physical risks (such as rising sea levels or frequency and severity of extreme weather conditions), social and human effects (such as population dislocations or harm to health and well-being), compliance costs and transition risks (such as regulatory or technology changes), costs for critical services (such as transportation costs), and other adverse effects. The effects could impair, for example, the availability and cost of certain products, commodities, transportation, and energy (including utilities), which in turn may impact our ability to procure goods or services, and transport those goods, required for the operation of our business at the quantities and levels we require. We bear losses incurred as a result of, for example, physical damage to or destruction of our facilities (such as distribution or fulfillment centers), loss or spoilage of inventory due to unusual ambient temperatures, and business interruption due to weather events that may be attributable to climate change. These events and impacts could have a materially adversely impact on our business operations and our financial position or results of operation.

Companies across all industries are facing increasing scrutiny relating to their sustainability and governance practices and policies. The landscape related to such regulation, compliance, and reporting is constantly evolving, including expanding in scope and complexity. For example, the SEC and the State of California have adopted laws that we anticipate will require significantly increased disclosures related to climate change. There are

McKESSON CORPORATION

If we fail to meet our goals or fail to adapt to evolving investor, industry, or stakeholder expectations and standards, our reputation may be harmed. In addition, we could face increased regulatory, reputational, and legal scrutiny as a result of our sustainability-related commitments and disclosures, and we could also face challenges with managing conflicting requirements and our various stakeholders' expectations, among other governance risks that could adversely impact our business and financial results.

Exclusive forum provisions in our Bylaws could limit our stockholders' ability to choose their preferred judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated bylaws provide that, unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for specified legal actions is the Court of Chancery of the State of Delaware or the United States District Court for the District of Delaware if the Court of Chancery does not have or declines to accept jurisdiction (collectively, "Delaware Courts"). Current and former stockholders are deemed to have consented to the personal jurisdiction of the Delaware Courts in connection with any action to enforce that exclusive forum provision and to service of process in any such action. These provisions of the bylaws are not a waiver of, and do not relieve anyone of duties to comply with, federal securities laws including those specifying the exclusive jurisdiction of federal courts under the Exchange Act and concurrent jurisdiction of federal and state courts under the Securities Act. To the extent that these provisions of the bylaws limit a current or former stockholder's ability to select a judicial forum other than the Delaware Courts, they might discourage the specified legal actions, might cause current or former stockholders to incur additional litigation-related expenses, and might result in outcomes unfavorable to current or former stockholders. A court might determine that these provisions of the bylaws are inapplicable or unenforceable in any particular action, in which case we may incur additional litigation related expenses in such action, and the action may result in outcomes unfavorable to us, which could have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Risk Management and Security

As a diversified healthcare services leader that is dedicated to advancing health outcomes for patients everywhere, cybersecurity risk management is integral to our enterprise risk management strategy. Our management, with involvement and input from external consultants and oversight from our Board of Directors ("Board"), performs an annual enterprise-wide risk assessment ("ERA") to identify key existing and emerging risks. One of the principal risks identified and assessed through this process is cybersecurity, which remains a key focus for the Company, management, and our Board.

Our Cybersecurity Incident Response Plan (“Response Plan”) provides a framework for responding to cybersecurity incidents. The Response Plan governs activities such as preparation, detection, coordination, eradication, recovery, and appropriate escalations to the Company’s senior management, disclosure committee, Board, and relevant Board committees. The Response Plan is routinely reviewed and updated as appropriate under the leadership of our Chief Information Security Officer (CISO).

Enterprise-wide cybersecurity and privacy training continue to serve an important role in risk reduction and protection of the Company and our stakeholders. We require periodic access-based and role-based privacy and cybersecurity training, which is updated to reflect changes in the threat environment, assessment or audit findings, laws, and regulations. We also engage and educate employees through cybersecurity and privacy awareness programs and communication campaigns.

We also engage internal and external assessors, consultants, auditors, and other third parties, to identify opportunities for improvements to our cybersecurity program. We manage cybersecurity risks associated with third parties, including vendors, service providers, and external users of our systems. This includes conducting due diligence on the third parties we use, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems, and by using contracts to reinforce their cybersecurity obligations.

several years without making capital expenditures materially higher than historical levels. Information as to material lease commitments is included in Financial Note 9, "Leases," to the consolidated financial statements included in this Annual Report.

The majority of our properties in Europe within our International segment were divested in fiscal 2022 and fiscal 2023, and our remaining European business operations reside in Norway. Refer to Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report for more details on our European divestitures.

Item 3. Legal Proceedings.

Certain legal proceedings in which we are involved are discussed in Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements included in this Annual Report. Disclosure of an environmental proceeding with a governmental agency is generally included only if we expect monetary sanctions in the proceeding to exceed \$1 million, unless otherwise material.

Item 4. Mine Safety Disclosures.

Not applicable.

[Table of Contents](#)

McKESSON CORPORATION

Information about our Executive Officers

The following table sets forth information regarding the executive officers of the Company, including their principal occupations during the past five years.

There are no family relationships between any of the executive officers or directors of the Company. The term of office of each executive officer expires at the first meeting of the Board following the annual meeting of shareholders, or until their successors are elected and have qualified, or until death, resignation, or removal, whichever is sooner.

Name	Age	Position with Registrant and Business Experience
Brian S. Tyler	57	Chief Executive Officer and a director since April 2019; President and Chief Operating Officer from August 2018 to March 2019; Chairman of the Management Board of McKesson Europe AG from 2017 to 2018; President and Chief Operating Officer, McKesson Europe from 2016 to 2017; President of North America Distribution and Services from 2015 to 2016; and Executive Vice President, Corporate Strategy and Business Development from 2012 to 2015.
Britt J. Vitalone	55	Executive Vice President and Chief Financial Officer since January 2018; Senior Vice President and Chief Financial Officer, U.S. Pharmaceutical from July 2014 to December 2017; Senior Vice President and Chief Financial Officer, U.S. Pharmaceutical and Specialty Health from October 2017 to December 2017; Senior Vice President of Corporate Finance and M&A Finance from March 2012 to June 2014.
LeAnn B. Smith	49	Executive Vice President and Chief Human Resources Officer since December 2022. Previously, Senior Vice President, Talent Management and Development from 2021 to 2022. Chief People Leader, Global Corporate Functions for Walmart Inc. (retail) from 2018 to 2021.
Thomas L. Rodgers	53	Executive Vice President, Chief Strategy and Business Development Officer since June 2020. Previously, Senior Vice President and Managing Director of McKesson Ventures from 2014 to 2020.
Michele Lau	48	Executive Vice President and Chief Legal Officer since January 2024. Chief Legal Officer and Corporate Secretary, GoDaddy (technology services) from July 2021 to November 2023. Senior Vice President, Corporate Secretary and Associate General Counsel at McKesson from March 2018 to June 2021 and various other legal roles at McKesson from 2008 to 2018.

[Table of Contents](#)

McKESSON CORPORATION

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

Market Information: The principal market on which our common stock is traded is the New York Stock Exchange ("NYSE") under the trading symbol "MCK."

Holders: At March 31, 2024, there were 4,160 holders of record of our common stock.

Dividends: In July 2023, our quarterly dividend was raised from \$0.54 to \$0.62 per share of common stock for dividends declared on or after such date by the Board. We declared regular cash dividends of \$2.40, \$2.09, and \$1.83 per share for the years ended March 31, 2024, 2023, and 2022, respectively.

We anticipate that we will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Board and will depend upon our future earnings, financial condition, capital requirements, legal requirements, and other factors.

Securities Authorized for Issuance under Equity Compensation Plans: Information relating to this item is provided under Item 12 of Part III included in this Annual Report.

Share Repurchase Plans: The Board has authorized the repurchase of common stock. We may affect stock repurchases from time-to-time through open market transactions, privately negotiated transactions, accelerated share repurchase ("ASR") programs, or by combinations of such methods, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1(c) of the Exchange Act. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including our stock price, corporate and regulatory requirements, tax implications, restrictions under our debt obligations, other uses for capital, impacts on the value of remaining shares, cash generated from operations, and market and economic conditions. During the last three fiscal years, our share repurchases were transacted through both open market transactions and ASR programs with third-party financial institutions.

Effective January 1, 2023, our repurchase of common stock, adjusted for allowable items, are subject to a 1% excise tax as a result of the IRA. Excise taxes incurred on share repurchases of an entity's own common stock are direct and incremental costs to purchase treasury stock, and accordingly are included in the total cost basis of the common stock acquired and reflected as a reduction of stockholders' equity within "Treasury shares" in our Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity (Deficit). Excise taxes do not reduce our remaining authorization for the repurchase of common stock. Excise taxes of \$25 million were incurred for the year ended March 31, 2024 and accrued within "Other accrued liabilities" in the Company's Consolidated Balance Sheet for shares repurchased during fiscal 2024. We did not incur excise taxes during the year ended March 31, 2023.

Refer to Financial Note 18, "Stockholders' Equity (Deficit)," to the accompanying consolidated financial statements included in this Annual Report on Form 10-K for a full discussion of the Company's share repurchases for the years ended March 31, 2024, 2023, and 2022.

Table of Contents

McKESSON CORPORATION

The following table provides information on our share repurchases during the fourth quarter of fiscal 2024:

	Share Repurchases ⁽¹⁾			
(In millions, except price per share)	Total Number of Shares Purchased	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Programs ⁽³⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs ⁽²⁾
January 1, 2024 - January 31, 2024	0.5	\$ 479.20	0.5	\$ 7,029
February 1, 2024 - February 29, 2024	0.4	509.62	0.4	6,813
March 1, 2024 - March 31, 2024	0.4	527.35	0.4	6,615
Total	1.3		1.3	

- (1) This table does not include the value of equity awards surrendered to satisfy tax withholding obligations or forfeitures of equity awards.
- (2) The average price paid per share excludes \$5 million of excise taxes incurred on share repurchases for the three months ended March 31, 2024. The remaining authorization outstanding for repurchases of common stock excludes \$25 million of excise taxes incurred on share repurchases for the year ended March 31, 2024.
- (3) In July 2022 and July 2023, the Board authorized the Company to repurchase up to an additional \$4.0 billion and \$6.0 billion shares of common stock, respectively, both of which have no expiration date.

[Table of Contents](#)

McKESSON CORPORATION

Stock Price Performance Graph*: The following graph compares the cumulative total stockholder return on our common stock for the periods indicated with the Standard & Poor's ("S&P") 500 Index and the S&P 500 Health Care Index. The S&P 500 Health Care Index was selected as a comparator because it is generally available to investors and broadly used by other companies in the same industry.

4808

March 31,

	2019	2020	2021	2022	2023	2024
McKesson Corporation	\$ 100.00	\$ 116.91	\$ 170.30	\$ 269.53	\$ 315.32	\$ 478.02
S&P 500 Index	\$ 100.00	\$ 93.02	\$ 145.44	\$ 168.20	\$ 155.20	\$ 201.57
S&P 500 Health Care Index	\$ 100.00	\$ 98.99	\$ 132.68	\$ 158.01	\$ 152.17	\$ 176.66

* Assumes \$100 invested in McKesson Common Stock and in each index on March 31, 2019 and that all dividends are reinvested.

Item 6. Reserved.

FINANCIAL REVIEW

INDEX TO MANAGEMENT'S DISCUSSION AND ANALYSIS

Section	Page
General	31
Overview of Our Business	31
Executive Summary	32
Trends and Uncertainties	33
Overview of Consolidated Results	35
Overview of Segment Results	40
Foreign Operations	42
Business Combinations	43
Fiscal 2025 Outlook	43
Critical Accounting Estimates	43
Financial Condition, Liquidity, and Capital Resources	48
Related Party Balances and Transactions	53
New Accounting Pronouncements	53

Management’s discussion and analysis of financial condition and results of operations, referred to as the “Financial Review,” is intended to assist the reader in the understanding and assessment of significant changes and trends related to the results of operations and financial position of McKesson Corporation together with its subsidiaries (collectively, the “Company,” “McKesson,” “we,” “our,” or “us” and other similar pronouns). This discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying financial notes in Item 8 of Part II of this Annual Report on Form 10-K (“Annual Report”).

Our fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references to a particular year shall mean our fiscal year.

Our Financial Review within this Annual Report generally discusses fiscal 2024 and fiscal 2023 results and year-over-year comparisons between fiscal 2024 and fiscal 2023. For a discussion of our year-over-year comparisons between fiscal 2023 and fiscal 2022, refer to Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of Part II of our Annual Report on Form 10-K for the year ended March 31, 2023, previously filed with the Securities and Exchange Commission on May 9, 2023.

Certain statements in this Annual Report constitute forward-looking statements. See Item 1 - Business - Forward-Looking Statements in Part I of this Annual Report for additional factors relating to these statements and Item 1A - Risk Factors in Part I of this Annual Report for a list of certain risk factors applicable to our business, financial condition and liquidity, and results of operations.

Overview of Our Business:

We are a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. Our teams partner with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products, and services to help make quality care more accessible and affordable.

retail pharmacies. Refer to Financial Note 2, “Business Acquisitions and Divestitures,” to the consolidated financial statements included in this Annual Report for more information regarding these divestiture transactions.

Executive Summary:

The following summary provides highlights and key factors that impacted our business, operating results, financial condition, and liquidity for the year ended March 31, 2024:

- For the year ended March 31, 2024 compared to the prior year, revenues increased by 12%, gross profit increased by 4%, total operating expenses increased by 12%, and other income, net decreased by \$365 million. Refer to the “Overview of Consolidated Results” section below for an analysis of these changes;
- Diluted earnings per common share from continuing operations attributable to McKesson Corporation decreased to \$22.39 in fiscal 2024 from \$25.05 in the prior year;
- For the year ended March 31, 2024, we recorded a provision for bad debts of \$725 million related to the October 2023 bankruptcy of our customer Rite Aid Corporation (including certain of its subsidiaries, “Rite Aid”). Refer to the Rite Aid Bankruptcy Proceedings section of “Trends and Uncertainties” below;
- We received \$244 million for the year ended March 31, 2024 related to our share of antitrust legal settlements. This amount was recorded as a gain within “Cost of sales” in the Consolidated Statement of Operations within our U.S. Pharmaceutical segment;

totaling \$725 million during the year ended March 31, 2024. The provision for bad debts of \$515 million recorded in the third quarter of fiscal 2024 related to uncollected trade accounts receivable from sales to Rite Aid in October 2023 prior to its bankruptcy petition filing. During the second quarter of fiscal 2024, we recorded a provision for bad debts of \$210 million, which represented the uncollected trade accounts receivable balance as of September 30, 2023 due from Rite Aid. These charges were recorded within “Selling, distribution, general, and administrative expenses” in our Consolidated Statements of Operations and included within the U.S. Pharmaceutical segment.

We believe the reserves maintained and expenses recorded in fiscal 2024 for Rite Aid trade accounts receivable are appropriate and consistent with our accounting policy and assessment of the information currently available. We evaluate our reserves periodically and as circumstances warrant which may result in changes to our reserves. For additional disclosure of our policy regarding allowances for credit losses, refer to the “Critical Accounting Estimates” section included in this Financial Review.

“Stockholders' Equity (Deficit),” to the accompanying consolidated financial statements included in this Annual Report for further details regarding excise taxes incurred on our share repurchases during fiscal 2024.

COVID-19

The U.S. federal government and World Health Organization suspended their respective public health emergencies in regards to the SARS-CoV-2 coronavirus (“COVID-19”) in May 2023. In the second quarter of fiscal 2024, we began transitioning the distribution of COVID-19 vaccines to commercial channels, the results of which are included primarily within our U.S. Pharmaceutical and Medical-Surgical Solutions segments. The impacts from COVID-19 related items were not material to revenues and operating profit for fiscal 2024.

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

RESULTS OF OPERATIONS

Overview of Consolidated Results:

(In millions, except per share data)	Years Ended March 31,		Change
	2024	2023	
Revenues	\$308,951	\$276,711	12 %
Gross profit	12,828	12,358	4
Gross profit margin	4.15 %	4.47 %	(32) bp
Total operating expenses	\$ (8,919)	\$ (7,977)	12 %
Total operating expenses as a percentage of revenues	2.89 %	2.88 %	1 bp
Other income, net	\$ 132	\$ 497	(73) %
Interest expense	(252)	(248)	2
Income from continuing operations before income taxes	3,789	4,630	(18)
Income tax expense	(629)	(905)	(30)
Reported income tax rate	16.6 %	19.5 %	(290) bp
Income from continuing operations	3,160	3,725	(15)
Loss from discontinued operations, net of tax	—	(3)	(100)
Net income	3,160	3,722	(15)
Net income attributable to noncontrolling interests	(158)	(162)	(2)
Net income attributable to McKesson Corporation	\$ 3,002	\$ 3,560	(16) %
Diluted earnings (loss) per common share attributable to McKesson Corporation			
Continuing operations	\$ 22.39	\$ 25.05	(11) %
Discontinued operations	—	(0.02)	(100)
Total	\$ 22.39	\$ 25.03	(11) %
Weighted-average diluted common shares outstanding	134.1	142.2	(6) %

Any percentage changes displayed above which are not meaningful are displayed as zero percent.

bp - basis points

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

Revenues

Revenues increased for the year ended March 31, 2024 compared to the prior year largely due to market growth in our U.S. Pharmaceutical segment, including growth in specialty pharmaceuticals and higher volumes largely from retail national account customers. Market growth includes growing drug utilization, price increases, and newly launched products, partially offset by price deflation associated with branded to generic drug conversion. This revenue growth was partially offset by lower revenues in our International segment driven by the completed divestitures of our E.U. disposal group.

Gross Profit

Gross profit increased for the year ended March 31, 2024 compared to the prior year primarily in our U.S. Pharmaceutical segment driven by growth of specialty pharmaceuticals, last-in, first-out (“LIFO”) inventory credits in fiscal 2024, our share of antitrust legal settlements received in fiscal 2024, and increased contributions from our generics programs, as well as increased contributions from technology services in our RxTS segment driven by higher volumes. These increases were partially offset by the completed divestiture of our E.U. disposal group in our International segment.

Gross profit for the years ended March 31, 2024 and 2023 included gains of \$244 million and \$129 million, respectively, representing our share of antitrust legal settlements. We recognized these amounts within "Cost of sales" in the Consolidated Statements of Operations within our U.S. Pharmaceutical segment.

Gross profit for the years ended March 31, 2024 and 2023 also included a LIFO credit of \$157 million and a charge of \$1 million, respectively. The LIFO credit in fiscal 2024 compared to a charge in fiscal 2023 was primarily due to lower brand inflation, offset by higher brand inventory levels, lower deflation from off patent launch activity, and lower generics deflation. Refer to the “Critical Accounting Estimates” section included in this Financial Review for further information regarding the use of the LIFO method of accounting within our U.S. Pharmaceutical business.

Total Operating Expenses

A summary and description of the components of our total operating expenses for the years ended March 31, 2024 and 2023 is as follows:

- Selling, distribution, general, and administrative expenses (“SDG&A”): SDG&A consists of personnel costs, transportation costs, depreciation and amortization, lease costs, professional fee expenses, administrative expenses, remeasurement charges to the lower of carrying value or fair value less costs to sell, provisions for bad debts, and other general charges.
- Claims and litigation charges, net: These charges include adjustments for estimated probable settlements related to our controlled substance monitoring and reporting, and opioid-related claims, as well as any applicable income items or credit adjustments due to subsequent changes in estimates. Legal fees to defend claims, which are expensed as incurred, are included within SDG&A.

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

Total operating expenses increased and total operating expenses as a percentage of revenues decreased for the year ended March 31, 2024 compared to the prior year. Total operating expenses for the years ended March 31, 2024 and 2023 were affected by the following significant items:

Fiscal 2024

- SDG&A includes a provision for bad debts of \$725 million related to the bankruptcy of our customer Rite Aid in October 2023. Refer to the Rite Aid Bankruptcy Proceedings section of "Trends and Uncertainties" for further discussion;
- SDG&A includes a fair value adjustment gain of \$78 million which reduced our contingent consideration liability related to the RxSS acquisition, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures" to the consolidated financial statements included in this Annual Report;
- SDG&A was impacted by lower operating expenses from the completed divestiture of our E.U. disposal group in fiscal 2023, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report;
- Claims and litigation charges, net primarily consists of a charge of \$149 million related to our estimated liability for opioid-related claims as previously discussed in the "Trends and Uncertainties" section above; and
- Restructuring, impairment, and related charges, net primarily includes charges related to Corporate expenses, net. Refer to the "Restructuring Initiatives and Long-Lived Asset Impairments" discussion below as well as Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," to the consolidated financial statements included in this Annual Report for more information.

Fiscal 2023

- SDG&A reflects lower operating expenses due to the completed divestitures of our U.K. and E.U. disposal groups in April 2022 and October 2022, respectively;
- SDG&A includes net credits of \$66 million associated with the divestiture of our E.U. disposal group in October 2022; and
- Restructuring, impairment, and related charges, net primarily includes charges related to Corporate expenses, net, as well as our RxTS segment. Refer to the "Restructuring Initiatives and Long-Lived Asset Impairments" discussion below as well as Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," to the consolidated financial statements included in this Annual Report for more information.

Goodwill Impairments

We evaluate goodwill for impairment on an annual basis in the first fiscal quarter, and at an interim date if indicators of potential impairment exist. The annual impairment testing performed in fiscal 2024 and fiscal 2023 did not indicate any impairment of goodwill, and no goodwill impairment charges were recorded in fiscal 2024 and fiscal 2023. However, other risks, expenses, and future developments, such as government actions, increased regulatory uncertainty, and material changes in key market assumptions limit our ability to estimate

projected cash flows, which could adversely affect the fair value of various reporting units in future periods. Refer to “Critical Accounting Estimates” included in this Financial Review for further information.

Restructuring Initiatives and Long-Lived Asset Impairments

We recorded restructuring, impairment, and related charges of \$115 million and \$209 million for the years ended March 31, 2024 and 2023, respectively. These charges were included in “Restructuring, impairment, and related charges, net” in the Consolidated Statements of Operations.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

During the fourth quarter of fiscal 2023, we approved a broad set of initiatives to drive operational efficiencies and increase cost optimization efforts, with the intent of simplifying our infrastructure and realizing long-term sustainable growth. These initiatives included headcount reductions and the exit or downsizing of certain facilities. We recorded charges of \$45 million and \$60 million for the years ended March 31, 2024 and 2023 related to this program, respectively, primarily consisting of employee severance and other employee-related costs within our RxTS segment, asset impairments and accelerated depreciation, including certain asset impairments primarily within our U.S. Pharmaceutical segment and real estate charges within Corporate, as well as facility and other exit-related costs. This restructuring program was substantially complete in fiscal 2024.

Refer to Financial Note 3, “Restructuring, Impairment, and Related Charges, Net,” to the consolidated financial statements included in this Annual Report for more information.

Other Income, Net

Other income, net decreased for the year ended March 31, 2024 compared to fiscal 2023 primarily due to:

- a gain of \$142 million in fiscal 2023 related to the exit of one of our investments in equity securities held within our U.S. Pharmaceutical segment;
- a gain of \$126 million in fiscal 2023 due to the cash received for the early termination of a tax receivable agreement (“TRA”) entered into as part of the formation of the joint venture with Change Healthcare Inc. (“Change”). This gain was recorded within Corporate expenses, net; and
- a gain of \$97 million in fiscal 2023 from the termination of certain fixed interest rate swaps accounted for as cash flow hedges within Corporate expenses, net.

Interest Expense

Interest expense increased in fiscal 2024 compared to the prior year primarily due to the impact of higher interest rates on our debt and derivative portfolios, and increased commercial paper borrowings, partially offset by a \$9 million gain on debt extinguishment in the first quarter of fiscal 2024. Refer to Financial Note 11, “Debt and Financing Activities,” to the consolidated financial statements included in this Annual Report for more information. Interest expense may fluctuate based on timing, amounts, and interest rates of term debt repaid and new term debt issued, amounts and interest rates of commercial paper borrowings, as well as amounts incurred associated with financing fees.

Income Tax Expense

We recorded income tax expense of \$629 million and \$905 million for the years ended March 31, 2024 and 2023, respectively. Our reported income tax expense rates were 16.6% and 19.5% in 2024 and 2023, respectively.

Fluctuations in our reported income tax rates are primarily due to changes in our business mix of earnings between various taxing jurisdictions and recognized discrete tax items. We recognized a net discrete tax benefit of \$248 million in fiscal 2024, including \$157 million related to the release of a valuation allowance based on management’s reassessment

of the amount of our deferred tax assets that are more likely than not to be realized and \$104 million related to the repatriation and sale of certain intellectual property between McKesson wholly-owned legal entities that are based in different tax jurisdictions. Refer to Financial Note 6, "Income Taxes," to the consolidated financial statements included in this Annual Report for more information.

Significant judgments and estimates are required in determining the consolidated income tax provision and evaluating income tax uncertainties. Although our major taxing jurisdictions include the U.S. and Canada, we are subject to income taxes in numerous foreign jurisdictions. Our income tax expense, deferred tax assets and liabilities, and uncertain tax liabilities reflect management's best assessment of estimated current and future taxes to be paid. We believe that we have made adequate provision for all income tax uncertainties.

Loss from Discontinued Operations, Net of Tax

Loss from discontinued operations, net of tax, was \$3 million for the year ended March 31, 2023. Subsequent to our divestiture of the E.U. disposal group in October 2022, we no longer have discontinued operations.

Overview of Segment Results:

	Years Ended March 31,		
(Dollars in millions)	2024	2023	Change
Segment revenues			
U.S. Pharmaceutical	\$278,739	\$240,616	16 %
Prescription Technology Solutions	4,769	4,387	9
Medical-Surgical Solutions	11,313	11,110	2
International	14,130	20,598	(31)
Total revenues	\$308,951	\$276,711	12 %

U.S. Pharmaceutical revenues for the year ended March 31, 2024 increased \$38.1 billion or 16% compared to the prior year. Within the segment, sales to pharmacies and institutional healthcare providers increased \$34.1 billion and sales to specialty practices and other increased \$4 billion. Overall, these increases were primarily due to growth in specialty pharmaceuticals, higher volumes from retail national account customers, and branded pharmaceutical price increases, partially offset by branded to generic drug conversions.

RxTS revenues for the year ended March 31, 2024 increased \$382 million or 9% compared to the prior year due to higher technology service revenues and increased volumes primarily in our third-party logistics and wholesale distribution services.

Medical-Surgical Solutions revenues for the year ended March 31, 2024 increased \$203 million or 2% compared to the prior year. Within the segment, sales to primary care customers increased \$205 million and sales to extended care customers increased \$185 million, driven by underlying business growth. Other sales declined \$187 million driven by lower contribution from the kitting and distribution of ancillary supplies used to administer COVID-19 vaccines.

International revenues for the year ended March 31, 2024 decreased \$6.5 billion or 31% compared to the prior year which included \$323 million unfavorable effects of foreign currency exchange fluctuations. Within the segment, sales in Europe declined by \$6.8 billion largely due to the completed divestitures of our E.U. disposal group in the third quarter of fiscal 2023. This was partially offset by increased sales in Canada of \$674 million largely driven by higher pharmaceutical distribution volumes.

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

Segment Operating Profit and Corporate Expenses, Net:

	Years Ended March 31,		
(Dollars in millions)	2024	2023	Change
Segment operating profit ⁽¹⁾			
U.S. Pharmaceutical ⁽²⁾	\$ 2,786	\$ 3,206	(13) %
Prescription Technology Solutions ⁽³⁾	835	566	48
Medical-Surgical Solutions	952	1,117	(15)
International ⁽⁴⁾	319	136	135
Subtotal	4,892	5,025	(3)
Corporate expenses, net ⁽⁵⁾	(851)	(147)	479
Interest expense	(252)	(248)	2
Income from continuing operations before income taxes	<u>\$ 3,789</u>	<u>\$ 4,630</u>	(18) %
Segment operating profit margin			
U.S. Pharmaceutical	1.00 %	1.33 %	(33) bp
Prescription Technology Solutions	17.51	12.90	461
Medical-Surgical Solutions	8.42	10.05	(163)
International	2.26	0.66	160

bp - basis points

- (1) Segment operating profit includes gross profit, net of total operating expenses, as well as other income, net, for our reportable segments.
- (2) Operating profit for our U.S. Pharmaceutical segment includes the following:
- a provision for bad debts of \$725 million for the year ended March 31, 2024 related to the bankruptcy of our customer Rite Aid in October 2023, as further discussed in the “Trends and Uncertainties” section above;
 - cash receipts for our share of antitrust legal settlements of \$244 million and \$129 million for the years ended March 31, 2024 and 2023, respectively;
 - a credit of \$157 million and a charge of \$1 million for the years ended March 31, 2024 and 2023, respectively, related to the LIFO method of accounting for inventories;
 - a charge of \$74 million for the year ended March 31, 2024 related to our estimated liability for opioid-related claims as previously discussed in the “Trends and Uncertainties” section; and
 - a gain of \$142 million for the year ended March 31, 2023 related to the exit of one of our investments in equity securities.
- (3) Operating profit for our RxTS segment for the year ended March 31, 2024 includes a fair value adjustment gain of \$78 million which reduced our contingent consideration liability related to the RxSS acquisition and, for the year ended March 31, 2023, includes restructuring charges of \$43 million primarily for severance and employee-related costs, as well as asset impairments and

accelerated depreciation, related to restructuring initiatives discussed in more detail in Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," to the consolidated financial statements included in this Annual Report.

- (4) Operating profit for our International segment includes charges of \$240 million for the year ended March 31, 2023 to remeasure the assets and liabilities of our E.U. disposal group to fair value less costs to sell, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report.
- (5) Corporate expenses, net includes the following:
- a charge of \$75 million for the year ended March 31, 2024 related to our estimated liability for opioid-related claims as previously discussed in the "Trends and Uncertainties" section;
 - restructuring charges of \$55 million and \$83 million for the years ended March 31, 2024 and 2023, respectively, primarily for restructuring initiatives discussed in more detail in Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," to the consolidated financial statements included in this Annual Report;
 - a gain of \$306 million for the year ended March 31, 2023 primarily related to the effect of accumulated other comprehensive loss components from our E.U. disposal group, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report;
 - a gain of \$126 million for the year ended March 31, 2023 related to the cash payment received for the early termination of our TRA with Change; and

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

- a gain of \$97 million for the year ended March 31, 2023 related to the termination of fixed interest rate swaps accounted for as cash flow hedges.

U.S. Pharmaceutical

Operating profit decreased for the year ended March 31, 2024 compared to the prior year primarily due to a provision for bad debts of \$725 million related to the bankruptcy of our customer Rite Aid in October 2023, a charge of \$74 million related to our estimated liability for opioid-related claims, a gain of \$142 million related to the exit of one of our investments in equity securities in fiscal 2023, and an increase in operating expenses to support higher volumes, partially offset by growth in specialty pharmaceuticals, a LIFO credit in fiscal 2024 compared to a charge in the prior year period, an increase in net cash proceeds received representing our share of antitrust legal settlements, and increased contributions from our generics programs.

Prescription Technology Solutions

Operating profit increased for the year ended March 31, 2024 compared to the prior year primarily driven by increased volumes with new and existing customers, primarily from growth in our access solutions related to prior authorization services, and fair value adjustment gains which reduced our contingent consideration liability related to the RxSS acquisition.

Medical-Surgical Solutions

Operating profit decreased for the year ended March 31, 2024 compared to the prior year primarily due to a lower contribution from kitting and distribution of ancillary supplies for COVID-19 vaccines and higher expenses to support business growth, partially offset by growth in our extended and primary care businesses.

International

Operating profit increased for the year ended March 31, 2024 compared to the prior year primarily as a result of remeasurement charges recorded in the prior year related to the E.U. disposal group, partially offset by lower contributions from the European operations divested in fiscal 2023.

Corporate

Corporate expenses, net increased for the year ended March 31, 2024 compared to the prior year primarily due to:

- a charge of \$75 million related to our estimated liability for opioid-related claims;
- prior year remeasurement gains related to the E.U. disposal group;
- a gain in fiscal 2023 related to the cash payment received for the early termination of our TRA with Change; and
- a gain in fiscal 2023 related to the termination of fixed interest rate swaps accounted for as cash flow hedges.

FOREIGN OPERATIONS

Our foreign operations represented approximately 5% and 7% of our consolidated revenues in fiscal 2024 and fiscal 2023, respectively. Foreign operations are subject to certain risks, including currency fluctuations. Refer to Item 1A - Risk Factors in Part I of this Annual Report for a risk factor related to fluctuations in foreign currency exchange rates. We monitor our operations and adopt strategies responsive to changes in the economic and political environment in each of the countries in which we operate. We conduct our business worldwide in local currencies, including the Canadian dollar and, more significantly prior to our European divestiture activities discussed above, Euro and British pound sterling. As a result, the comparability of our results reported in U.S. dollars can be affected by changes in foreign currency exchange rates. In discussing our operating results, we may use the term “foreign currency exchange fluctuations,” which refers to the effect of changes in foreign currency exchange rates used to convert the local currency results of our operations in foreign countries where the functional currency is not the U.S. dollar. We present this information to provide a framework for assessing how our business performed excluding the effect of foreign currency exchange rate fluctuations. In computing the foreign currency exchange fluctuations, we translate our current year results of our operations in foreign countries recorded in local currencies into U.S. dollars by applying their respective average foreign currency exchange rates of the corresponding prior year periods, and we subsequently compare those results to the previously reported results of the comparable prior year periods reported in U.S. dollars.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

In July 2021, we announced our intention to exit our businesses in Europe. In fiscal 2023, we completed the previously announced sale of our E.U. and U.K. disposal groups and in fiscal 2022 we completed the previously announced sale of our Austrian business. Refer to Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report for more information on these European divestitures.

Additional information regarding our foreign operations is also included in Financial Note 20, "Segments of Business," to the consolidated financial statements included in this Annual Report.

BUSINESS COMBINATIONS

Refer to Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report for additional information.

FISCAL 2025 OUTLOOK

Information regarding the Company's fiscal 2025 outlook is contained in the release of our fourth quarter fiscal 2024 financial results included as an exhibit to our Form 8-K furnished to the SEC on May 7, 2024, which is not incorporated by reference into this Annual Report. That Form 8-K should be read in conjunction with the forward-looking statements in the "Trends and Uncertainties" section of this Financial Review, as well as the cautionary statements in Item 1 - Business - Forward-Looking Statements, and Item 1A - Risk Factors, in Part I of this Annual Report.

CRITICAL ACCOUNTING ESTIMATES

We consider an accounting estimate to be critical if the estimate requires us to make assumptions about matters based upon past experience and management's judgment that were uncertain at the time the accounting estimate was made and if different estimates that we reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on our financial condition or results from operations. Below are the estimates that we believe are critical to the understanding of our operating results and financial condition. Other accounting policies are described in Financial Note 1, "Significant Accounting Policies," to the consolidated financial statements included in this Annual Report. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates.

Allowances for Credit Losses: Our receivables primarily consist of short-term trade accounts receivable from customers that result from the sale of goods and services. We also provide customer financing arrangements to customers who purchase our products and services. Customer financing primarily relates to guarantees provided to our customers, or their creditors, regarding the repurchase of inventories. We also provide financing to certain customers related to the purchase of pharmacies, which serve as collateral for the loans. We estimate the receivables for which we do not expect full collection based on historical collection rates and specific knowledge regarding the current creditworthiness of our

customers and record an allowance in our consolidated financial statements for these amounts.

The Company considers historical credit losses, the current economic environment, customer credit ratings, collections on past due amounts, legal disputes, and bankruptcies, as well as reasonable and supportable forecasts to develop its allowance for credit losses. Management reviews these factors quarterly to determine if any adjustments are needed to the allowance.

Sales to the Company's ten largest customers, including group purchasing organizations ("GPOs"), accounted for approximately 69% of total consolidated revenues in fiscal 2024 and comprised approximately 43% of total trade accounts receivable at March 31, 2024. Sales to our largest customer, CVS Health Corporation ("CVS"), accounted for approximately 28% of our total consolidated revenues in fiscal 2024 and comprised approximately 24% of total trade accounts receivable at March 31, 2024. As a result, our sales and credit concentration is significant. We also have agreements with GPOs, each of which functions as a purchasing agent on behalf of member hospitals, pharmacies and other healthcare providers, as well as with government entities and agencies. The accounts receivable balances are with individual members of the GPOs, and therefore no significant concentration of credit risk exists. A material default in payment, a material reduction in purchases from GPOs or any other large customers, or the loss of a large customer or GPO could have a material adverse impact on our financial position, results of operations, and liquidity.

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

Reserve methodologies are assessed annually based on historical losses and economic, business, and market trends. In addition, reserves are reviewed quarterly and updated if unusual circumstances or trends are present. We believe the reserves maintained and expenses recorded in fiscal 2024 are appropriate and consistent in the context of historical methodologies employed, as well as assessment of trends currently available.

At March 31, 2024, trade and notes receivables were \$19.6 billion prior to allowances of \$877 million. Our provision for bad debts was \$819 million, \$45 million, and \$29 million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively. At March 31, 2024 and 2023, the allowance as a percentage of trade and notes receivables was 4.5% and 0.7%, respectively. The provision for bad debts for fiscal 2024 includes a charge of \$725 million within our U.S. Pharmaceutical segment related to the bankruptcy of our customer Rite Aid, as discussed in the “Trends and Uncertainties” section of this Financial Review. This amount represents the uncollected trade accounts receivable balance due from Rite Aid prior to its bankruptcy petition filing in October 2023. An increase or decrease of a hypothetical 0.1% in the fiscal 2024 allowance as a percentage of trade and notes receivables would result in an increase or decrease in the provision for bad debts of approximately \$20 million. The selected 0.1% hypothetical change does not reflect what could be considered the best or worst-case scenarios. Additional information concerning our allowances for credit losses may be found in Schedule II included in this Annual Report.

Inventories: Inventories consist of merchandise held for resale. We report inventories at the lower of cost or net realizable value, except for inventories determined using the LIFO method which are valued at the lower of LIFO cost or market. The LIFO method presumes that the most recent inventory purchases are the first items sold and the inventory cost under LIFO approximates market. The majority of the cost of domestic inventories is determined using the LIFO method. The majority of the cost of inventories held in foreign and certain domestic locations is based on the first-in, first-out (“FIFO”) method or weighted-average purchase prices. Rebates, cash discounts, and other incentives received from vendors relating to the purchase or distribution of inventory are considered product discounts and are accounted for as a reduction in the cost of inventory and are recognized when the inventory is sold.

In determining whether an inventory valuation allowance is required, we consider various factors including estimated quantities of slow-moving inventory by reviewing on-hand quantities, outstanding purchase obligations, and forecasted sales. Shifts in market trends and conditions, changes in customer preferences due to the introduction of generic drugs or new pharmaceutical products, or the loss of one or more significant customers are factors that could affect the value of our inventories. We write down inventories which are considered excess and obsolete as a result of these reviews. These factors could make our estimates of inventory valuation differ from actual results.

At March 31, 2024 and 2023, total inventories, net were \$21.1 billion and \$19.7 billion, respectively, in our Consolidated Balance Sheets. The LIFO method was used to value approximately 62% and 64% of our inventories at March 31, 2024 and 2023, respectively. If we had used the moving average method of inventory valuation, inventories would have been approximately \$227 million and \$384 million higher than the amounts reported at

We believe that the moving average inventory costing method provides a reasonable estimation of the current cost of replacing inventory (i.e., “market”). As such, our LIFO inventory is valued at the lower of LIFO cost or market. As of March 31, 2024 and 2023, inventories at LIFO did not exceed market.

44

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

Several valuation methods may be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, we typically use a variation of the income approach, whereby a forecast of future cash flows attributable to the asset is discounted to present value using a risk-adjusted discount rate. Some of the more significant estimates and assumptions inherent in the income approach include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, and the assessment of the asset's expected useful life. Refer to Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report for additional information regarding our acquisitions.

Certain business combinations involve the potential for future payments of consideration that is contingent upon the achievement of performance milestones or other agreed-upon events. The liability for the contingent consideration is measured at its fair value as of the acquisition date using unobservable inputs. These inputs include the estimated amount and timing of projected operational and financial information, the probability of achievement of performance milestones or other agreed-upon events, and the risk-adjusted discount rate used to calculate the present value of the probability-weighted projected financial information. Contingent liabilities are remeasured to fair value at each reporting date until the liability is resolved with changes in fair value being recognized within "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations. Changes in any of the inputs may result in a significant adjustment to the fair value.

Goodwill and Long-Lived Assets:

Goodwill

As a result of acquiring businesses, we have \$10.1 billion and \$9.9 billion of goodwill at March 31, 2024 and 2023, respectively, and \$2.1 billion and \$2.3 billion of intangible assets, net at March 31, 2024 and 2023, respectively. During the first quarter of fiscal 2023, we voluntarily changed our annual goodwill impairment testing date from October 1st to April 1st to align with a change in the timing of our annual long-term planning process. This change was not material to our consolidated financial statements as it did not delay, accelerate, or avoid any potential goodwill impairment charge.

We perform an impairment test on goodwill balances annually in the first fiscal quarter and more frequently if indicators for potential impairment exist. Indicators that are considered include significant declines in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry or economic trends, or a significant decline in the Company's stock price and/or market capitalization for a sustained period of time.

Goodwill impairment testing is conducted at the reporting unit level, which is generally defined as an operating segment or a component, one level below our operating segments, for which discrete financial information is available and where segment management regularly reviews the operating results of that reporting unit.

To estimate the fair value of our reporting units, we generally use a combination of the market approach and the income approach. Under the market approach, we estimate fair value by comparing the business to similar businesses, or guideline companies whose securities are actively traded in public markets. Under the income approach, we use a discounted cash flow model in which cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate that is commensurate with the risk inherent within the reporting unit. In addition, we compare the aggregate of the reporting units' fair values to our market capitalization as further corroboration of the reasonableness of our concluded fair values.

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

Estimates of fair value result from a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions at a point in time. Judgments made in determining an estimate of fair value may materially impact our results of operations. The valuations are based on information available as of the impairment testing date and are based on expectations and assumptions that have been deemed reasonable by management. Any material changes in key assumptions, including failure to meet business plans, negative changes in government reimbursement rates, deterioration in the U.S. and global financial markets, an increase in interest rates, or an increase in the cost of equity financing by market participants within the industry, or other unanticipated events and circumstances may decrease the projected cash flows or increase the discount rates and could potentially result in an impairment charge. Under the market approach, significant estimates and assumptions also include the selection of appropriate guideline public companies and the determination of appropriate valuation multiples to apply to the reporting unit. Under the income approach, significant estimates and assumptions also include the determination of discount rates. The discount rates represent the weighted-average cost of capital measuring the reporting unit's cost of debt and equity financing, which are weighted by the percentage of debt and percentage of equity in a company's target capital structure. Included in the estimate of the weighted-average cost of capital is the assumption of an unsystematic risk premium to address incremental uncertainty related to the reporting units' future cash flow projections.

The annual impairment testing performed for fiscal 2024, fiscal 2023, and fiscal 2022 did not indicate any impairment of goodwill.

Refer to Financial Note 10, "Goodwill and Intangible Assets, Net," to the consolidated financial statements included in this Annual Report for additional information.

Long-Lived Assets

Currently, all of our identifiable intangible and other long-lived assets are amortized or depreciated based on the pattern of their economic consumption or a straight-line basis over their estimated useful lives, ranging from one to 30 years. We review intangible and other long-lived assets for impairment at an asset group level whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability of intangible and other long-lived assets is based on the lowest level of identifiable estimated future undiscounted cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset group over its fair value. Assumptions and estimates about future values and the remaining useful lives of our purchased intangible assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts.

Our ongoing consideration of all the factors described previously could result in further impairment charges in the future, which could adversely affect our net income. Refer to Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," to the consolidated

resolved over many years, during which time relevant developments and new information must be reevaluated at least quarterly to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. When a material loss is reasonably possible, or probable but a reasonable estimate cannot be made, disclosure of the proceeding is provided. Legal fees are recognized as incurred when the legal services are provided.

We review all contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the potential loss or range of the loss can be made. As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on future negotiations with or decisions by third parties, such as regulatory agencies, the court system, and other interested parties.

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

In conjunction with the preparation of the consolidated financial statements included in this Annual Report, we considered matters related to ongoing controlled substances claims to which we are a party. For the year ended March 31, 2024, the Company recorded a charge of \$149 million within "Claims and litigation charges, net" in the Consolidated Statement of Operations to reflect its portion of a proposed settlement with a nationwide class of acute care hospitals, and the corresponding liability was included within "Other accrued liabilities" in the Consolidated Balance Sheet. At March 31, 2024, our estimated accrued liability for opioid-related claims was \$6.8 billion. Because of the many uncertainties associated with the remaining opioid-related litigation matters, we are not able to reasonably estimate the upper or lower ends of the range of ultimate possible losses for all opioid-related litigation matters. We are not able to predict the outcome in these matters, and an adverse judgment or negotiated resolution in any of these matters could have a material adverse effect on our results of operations, financial position, and cash flows or liquidity. Refer to the "Opioid-Related Litigation and Claims" section of the "Trends and Uncertainties" section of this Financial Review and Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements included in this Annual Report for additional information.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

We expect our available cash generated from operations and our short-term investment portfolio, together with our existing sources of liquidity from our credit facilities, commercial paper program, and other borrowings will be sufficient to fund our short-term and long-term capital expenditures, working capital, and other cash requirements. We remain adequately capitalized, including access to liquidity from our \$4.0 billion revolving credit facility. At March 31, 2024, we were in compliance with all debt covenants, and believe we have the ability to continue to meet our debt covenants in the future.

The following table summarizes the net change in cash, cash equivalents, and restricted cash for the periods shown:

	Years Ended March 31,		Change
	2024	2023	
(Dollars in millions)			
Net cash provided by (used in):			
Operating activities	\$ 4,314	\$ 5,159	\$ (845)
Investing activities	(1,072)	(542)	(530)
Financing activities	(3,342)	(4,368)	1,026
Effect of exchange rate changes on cash, cash equivalents and restricted cash	6	25	(19)
Change in cash, cash equivalents, and restricted cash classified within Assets held for sale ⁽¹⁾	—	470	(470)
Net change in cash, cash equivalents, and restricted cash	\$ (94)	\$ 744	\$ (838)

(1) The fiscal 2023 change reflects a reversal of cash, cash equivalents, and restricted cash previously classified as assets held for sale at March 31, 2022 as part of the U.K. disposal group and is offset

by cash outflows primarily related to the settlement of liabilities which is reflected in operating activities.

Operating Activities

Operating activities provided cash of \$4.3 billion and \$5.2 billion for the years ended March 31, 2024 and 2023, respectively. Cash flows from operations can be significantly impacted by factors such as the timing of receipts from customers, inventory receipts, and payments to vendors. Additionally, working capital is primarily a function of sales and purchase volumes, inventory requirements, and vendor payment terms.

Operating activities for the year ended March 31, 2024 were affected by net income of \$3.2 billion adjusted for non-cash items, including a provision for bad debts of \$725 million related to the bankruptcy of our customer Rite Aid, in October 2023, as well as increases in accounts payable of \$4.6 billion, offset by increases in receivables of \$3.0 billion, and inventories of \$1.3 billion which were primarily driven by higher revenues and timing. Our litigation liabilities decreased by \$395 million due to payments made during fiscal 2024 of \$544 million associated with various settlement agreements for opioid-related claims of states, subdivisions, and Native American tribes, partially offset by a charge of \$149 million, related to our estimated liability for opioid-related claims, as discussed in more detail in Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements included in this Annual Report. Other non-cash items within operating activities for the year ended March 31, 2024 includes stock-based compensation of \$182 million, partially offset by a fair value adjustment gain of \$78 million related to the contingent consideration liability recognized as part of our acquisition of RxSS.

Financing activities for the year ended March 31, 2024 includes \$3.0 billion of cash paid for share repurchases and \$314 million of cash paid for dividends. Financing activities also includes cash receipts and cash payments of \$20.0 billion related to short-term borrowings of commercial paper in fiscal 2024.

Financing activities for the year ended March 31, 2023 includes \$3.6 billion of cash paid for share repurchases and \$292 million of cash paid for dividends. Financing activities also includes cash receipts and cash payments of \$8.5 billion related to short-term borrowings of commercial paper in fiscal 2023. In November 2022, we entered into the 2022 Term Loan Credit Facility which provided an unsecured term loan facility of up to \$500 million, which we drew upon in full in December 2022 and which we subsequently repaid in February 2023. The proceeds of this loan were used for general corporate purposes. In February 2023, we completed a public offering of the 5.25% Notes with net proceeds of \$497 million, which were used to repay existing debt. In December 2022, we retired our \$400 million outstanding principal amount of 2.70% Notes and on March 15, 2023, we retired our \$360 million outstanding principal amount of 2.85% Notes, both upon maturity using cash on hand.

Cash used for other financing activities generally includes shares surrendered for tax withholding and payments to noncontrolling interests.

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

Share Repurchase Plans

The Board has authorized the repurchase of common stock. We may affect stock repurchases from time-to-time through open market transactions, privately negotiated transactions, accelerated share repurchase (“ASR”) programs, or by combinations of such methods, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including our stock price, corporate and regulatory requirements, tax implications, restrictions under our debt obligations, other uses for capital, impacts on the value of remaining shares, cash generated from operations, and market and economic conditions. During the last two fiscal years, our share repurchases were transacted through both open market transactions and ASR programs with third-party financial institutions. The ASR programs discussed below were designed to comply with Rule 10b5-1(c).

Effective January 1, 2023, our repurchase of common stock, adjusted for allowable items, are subject to a 1% excise tax as a result of the IRA. Excise taxes incurred on share repurchases of an entity’s own common stock are direct and incremental costs to purchase treasury stock, and accordingly are included in the total cost basis of the common stock acquired and reflected as a reduction of stockholders’ equity within “Treasury shares” in our Consolidated Balance Sheets and Consolidated Statements of Stockholders’ Equity (Deficit). Excise taxes do not reduce our remaining authorization for the repurchase of common stock. Excise taxes of \$25 million were incurred for the year ended March 31, 2024 and accrued within “Other accrued liabilities” in the Company’s Consolidated Balance Sheet for shares repurchased during fiscal 2024. We did not incur excise taxes during the year ended March 31, 2023.

Information regarding the share repurchase activity over the last two fiscal years was as follows:

Share Repurchases ⁽¹⁾

				Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs ⁽³⁾
	Total Number of Shares Purchased ⁽²⁾	Average Price Paid Per Share		
(In millions, except price per share)				
Balance, March 31, 2022			\$	3,278
Shares repurchased - February 2022 ASR ⁽⁴⁾	0.3	\$ 295.16		—
Shares repurchased - May 2022 ASR	3.1	\$ 321.05		(1,000)
Share repurchase authorization increase in fiscal 2023				4,000
Shares repurchased - December 2022 ASR	2.6	\$ 369.20		(972)
Shares repurchased - Open market ⁽⁵⁾	4.7	\$ 363.24		(1,693)
Balance, March 31, 2023				3,613
Share repurchase authorization increase in fiscal 2024				6,000
Shares repurchased - Open market	6.9	\$ 436.46		(2,998)
Balance, March 31, 2024			\$	6,615

- (1) This table does not include the value of equity awards surrendered to satisfy tax withholding obligations or forfeitures of equity awards.
- (2) The number of shares purchased reflects rounding adjustments.
- (3) The remaining authorization outstanding for repurchases of common stock excludes \$25 million of excise taxes incurred on share repurchases for the year ended March 31, 2024.
- (4) In February 2022, we entered into an ASR program with a third-party financial institution to repurchase \$1.5 billion shares of common stock. The total number of shares repurchased under this ASR program was 5.1 million shares at an average price per share of \$295.16. We received 4.8 million shares as the initial share settlement in the fourth quarter of fiscal 2022, and in May 2022, we received an additional 0.3 million shares upon the completion of this ASR program.
- (5) Of the total dollar value, \$27 million was accrued within "Other accrued liabilities" in our Consolidated Balance Sheet as of March 31, 2023 for share repurchases that were executed in late March 2023 and settled in early April 2023.

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

Selected Measures of Liquidity and Capital Resources

(Dollars in millions)	March 31,	
	2024	2023
Cash, cash equivalents, and restricted cash	\$ 4,585	\$ 4,679
Working capital	(4,387)	(3,665)
Days sales outstanding for: ⁽¹⁾		
Customer receivables	22	22
Inventories	26	27
Drafts and accounts payable	58	58
Debt to capital ratio ⁽²⁾	124.0 %	120.5 %

(1) Based on year-end balances and sales or cost of sales for the last 90 days of the year.

(2) This ratio describes the relationship and changes within our capital resources, and is computed as the sum of total debt divided by the sum of total debt and McKesson stockholders' deficit, which excludes noncontrolling interests and accumulated other comprehensive loss.

Cash equivalents, which are readily convertible to known amounts of cash, are carried at fair value. Cash equivalents are primarily invested in AAA-rated U.S. government money market funds, short-term deposits with financial institutions, and short-term commercial papers issued by non-financial institutions. Deposits with financial institutions are primarily denominated in U.S. dollars and the functional currencies of our foreign subsidiaries, including Canadian dollars, Euro, and British pounds sterling. Deposits could exceed the amounts insured by the Federal Deposit Insurance Corporation in the U.S. and similar deposit insurance programs in other jurisdictions. We mitigate the risk of our short-term investment portfolio by depositing funds with reputable financial institutions and monitoring risk profiles and investment strategies of money market funds.

Our cash and cash equivalents balance as of March 31, 2024 and 2023 included approximately \$1.6 billion and \$1.3 billion, respectively, of cash held by our subsidiaries outside of the U.S. Our primary intent is to utilize this cash for foreign operations for an indefinite period of time. Although the majority of cash held outside the U.S. is available for repatriation, doing so could subject us to foreign withholding taxes and state income taxes. We may remit foreign earnings to the U.S. to the extent it is tax efficient to do so. We do not anticipate the tax impact from remitting these earnings to be material. Following enactment of the 2017 Tax Cuts and Jobs Act, the repatriation of cash to the U.S. is generally no longer taxable for federal income tax purposes.

Working capital primarily includes cash and cash equivalents, receivables, inventories, and prepaid expenses, net of drafts and accounts payable, short-term borrowings, current portion of long-term debt, current portion of operating lease liabilities, and other accrued liabilities. Our businesses require substantial investments in working capital that are susceptible to large variations during the year as a result of inventory purchase patterns and seasonal demands. Inventory purchase activity is a function of sales activity and other requirements.

Consolidated working capital decreased at March 31, 2024 compared to the prior year primarily due to an increase in drafts and accounts payable from increased purchasing driven by increased sales and timing, an increase in other accrued liabilities and a decrease in cash and cash equivalents, partially offset by an increase in receivables, net and inventories, net, driven by higher sales and timing, and a decrease in the current portion of long-term debt largely funded by an issuance of long-term debt in the first quarter of fiscal 2024.

Our debt to capital ratio increased for the year ended March 31, 2024 compared to the prior year primarily due to share repurchases and dividend payments as well as repayments of long-term debt, partially offset by net income attributable to McKesson for the year and issuance of new long-term debt.

McKESSON CORPORATION
FINANCIAL REVIEW (Continued)

In July 2023, we raised our quarterly dividend to \$0.62 from \$0.54 per share of common stock for dividends declared on or after such date by the Board. Dividends were \$2.40 per share in fiscal 2024 and \$2.09 per share in fiscal 2023, and we paid total cash dividends of \$314 million and \$292 million in fiscal 2024 and fiscal 2023, respectively. We anticipate that we will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Board and will depend upon our future earnings, financial condition, capital requirements, legal requirements, and other factors.

Material Cash Requirements:

The table and information below presents our significant financial obligations and commitments as of March 31, 2024:

(In millions)	Total	Years			
		Within 1	Over 1 to 3	Over 3 to 5	After 5
On balance sheet					
Total debt ⁽¹⁾	\$ 5,629	\$ 50	\$ 2,894	\$ 1,364	\$ 1,321
Operating lease obligations ⁽²⁾	2,024	359	634	436	595
Other ⁽³⁾	93	24	18	18	33
Off balance sheet					
Interest on borrowings ⁽⁴⁾	1,171	184	309	202	476
Purchase obligations ⁽⁵⁾	7,305	7,297	8	—	—
Other ⁽⁶⁾	348	106	220	10	12
Total	\$ 16,570	\$ 8,020	\$ 4,083	\$ 2,030	\$ 2,437

- (1) Represents maturities of the Company's long-term obligations, including finance lease obligations. Refer to Financial Note 11, "Debt and Financing Activities," to the consolidated financial statements included in this Annual Report for more information.
- (2) Represents undiscounted minimum operating lease obligations under non-cancelable operating leases having an initial remaining term over one year and is not adjusted for imputed interest. Refer to Financial Note 9, "Leases," to the consolidated financial statements included in this Annual Report for more information.
- (3) Includes estimated benefit payments for our unfunded benefit plans and minimum funding requirements for our pension plans as well as the contingent consideration liability related to our acquisition of RxSS in November 2022.
- (4) Represents interest that will become due on our fixed rate long-term debt obligations.
- (5) Primarily relates to the expected purchase of goods and services, including inventory and capital commitments, from vendors in the normal course of business.
- (6) Includes agreements under which we have guaranteed the repurchase of our customers' inventory and our customers' debt in the event these customers are unable to meet their obligations to those

financial institutions. Refer to Financial Note 16, "Financial Guarantees and Warranties," to the consolidated financial statements included in this Annual Report for more information.

The material cash requirements table above excludes the following obligations:

At March 31, 2024, the Company had accrued liabilities of \$6.8 billion related to the settlement of opioid-related litigation claims with U.S. governmental entities, including Native American tribes, and certain non-governmental plaintiffs as described in the "Trends and Uncertainties" section of this Financial Review and Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements included in this Annual Report. The majority of this amount relates to a global settlement payable in annual installments through 2038 pursuant to the schedule set forth in the agreement. As of March 31, 2024, \$665 million is estimated to be paid within the next twelve months.

At March 31, 2024, the liability recorded for uncertain tax positions, excluding associated interest and penalties, was approximately \$1.1 billion. The ultimate amount and timing of any related future cash settlements cannot be predicted with reasonable certainty. Refer to Financial Note 6, "Income Taxes," to the consolidated financial statements included in this Annual Report for additional information on income tax matters.

McKESSON CORPORATION

FINANCIAL REVIEW (Concluded)

At March 31, 2024, our banks and insurance companies have issued \$211 million of standby letters of credit and surety bonds. These were issued on our behalf and are mostly related to our customer contracts and to meet the security requirements for statutory licenses and permits, court and fiduciary obligations, pension obligations in Europe, and our workers' compensation and automotive liability programs.

Capital Resources

We fund our working capital requirements primarily with cash and cash equivalents, proceeds from short-term borrowings from our commercial paper issuances, and longer-term credit agreements and debt offerings. Funds necessary for future debt maturities and our other cash requirements, including any future payments that may be made related to our total estimated litigation liability of \$6.8 billion as of March 31, 2024 payable under the terms of various settlement agreements for opioid-related claims, are expected to be met by existing cash balances, cash flow from operations, existing credit sources, and future borrowings. Long-term debt markets and commercial paper markets, our primary sources of capital after cash flow from operations, are open and accessible to us should we decide to access those markets. Detailed information regarding our debt and financing activities is included in Financial Note 11, "Debt and Financing Activities," to the consolidated financial statements included in this Annual Report.

We believe that our future operating cash flow, financial assets, and access to capital and credit markets, including our credit facilities, give us the ability to meet our financing needs for the foreseeable future. However, there can be no assurance that an increase in volatility or disruption in the global capital and credit markets will not impair our liquidity or increase our costs of borrowing.

RELATED PARTY BALANCES AND TRANSACTIONS

Information regarding our related party balances and transactions is included in Financial Note 19, "Related Party Balances and Transactions," to the consolidated financial statements included in this Annual Report.

NEW ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements that we have recently adopted, as well as those that have been recently issued but not yet adopted by us, are included in Financial Note 1, "Significant Accounting Policies," to the consolidated financial statements included in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Interest rate risk: Our long-term debt bears interest predominately at fixed rates, whereas our short-term borrowings are at variable interest rates. Our cash and cash equivalents balances earn interest at variable rates. At March 31, 2024 and 2023, we had \$4.6 billion and \$4.7 billion, respectively, in cash and cash equivalents. At March 31, 2024 and 2023, we also had fixed-to-floating interest rate swaps with a total notional amount of \$1.3 billion. The effect of a hypothetical 50 basis points increase in the underlying interest rate on our cash and cash equivalents, net of short-term borrowings and fixed-to-floating interest rate swaps, would have resulted in a favorable impact of \$4 million and \$7 million to our earnings in fiscal 2024 and fiscal 2023, respectively.

Foreign currency exchange rate risk: We conduct our business worldwide in U.S. dollars and the functional currencies of our foreign subsidiaries, primarily the Canadian dollar. We are also exposed to foreign currency exchange rate risk related to our foreign currency-denominated notes, intercompany loans denominated in non-functional currencies, and certain foreign subsidiaries, primarily the Euro, British pound sterling, and Canadian dollar. Changes in foreign currency exchange rates could have a material adverse impact on our financial results that are reported in U.S. dollars.

In July 2021, we announced our intention to exit our businesses in Europe and completed the divestitures of our Austrian business in fiscal 2022, and the U.K. disposal group and the E.U. disposal group in fiscal 2023. Refer to Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report for more information on these divestitures. The completion of these divestitures has reduced our foreign currency exchange rate risk as it relates to the Euro and British pound sterling.

We have certain foreign currency exchange rate risk programs that utilize cross-currency swaps which are intended to reduce the income statement effects from fluctuations in foreign currency exchange rates and have been designated as net investment hedges, fair value hedges, or cash flow hedges. These programs reduce but do not entirely eliminate foreign currency exchange rate risk. However, our risk management programs are designed such that changes in the value of the underlying exposure would be largely offset by the potential changes in the value of the risk management portfolios. Refer to Financial Note 14, "Hedging Activities," to the consolidated financial statements included in this Annual Report for more information on our cross-currency swaps.

The Company and its subsidiaries are periodically exposed to balances denominated in currencies other than their functional currency. At March 31, 2024 and 2023, the effect of a hypothetical adverse 10% change in the foreign currency exchange rates on underlying balances not reported in the functional currencies of the Company and these subsidiaries would not have resulted in a material impact to our earnings in fiscal 2024 or fiscal 2023. Refer to Financial Note 1, "Significant Accounting Policies," under the section "Foreign Currency Translation" for more information regarding our exposure to transactional gains and losses.

McKESSON CORPORATION**Item 8. Financial Statements and Supplementary Data.****INDEX TO CONSOLIDATED FINANCIAL INFORMATION**

	Page
Management's Annual Report on Internal Control Over Financial Reporting	56
Report of Independent Registered Public Accounting Firm	57
Consolidated Financial Statements:	
Consolidated Statements of Operations for the years ended March 31, 2024, 2023, and 2022	60
Consolidated Statements of Comprehensive Income for the years ended March 31, 2024, 2023, and 2022	61
Consolidated Balance Sheets as of March 31, 2024 and 2023	62
Consolidated Statements of Stockholders' Equity (Deficit) for the years ended March 31, 2024, 2023, and 2022	63
Consolidated Statements of Cash Flows for the years ended March 31, 2024, 2023, and 2022	64
Financial Notes	65
Note 1 - Significant Accounting Policies	65
Note 2 - Business Acquisitions and Divestitures	73
Note 3 - Restructuring, Impairment, and Related Charges, Net	77
Note 4 - Share-Based Compensation	79
Note 5 - Other Income, Net	83
Note 6 - Income Taxes	83
Note 7 - Noncontrolling Interests and Redeemable Noncontrolling Interests	88
Note 8 - Earnings (Loss) Per Common Share	89
Note 9 - Leases	91
Note 10 - Goodwill and Intangible Assets, Net	93
Note 11 - Debt and Financing Activities	95
Note 12 - Variable Interest Entities	98
Note 13 - Pension Benefits	99
Note 14 - Hedging Activities	105
Note 15 - Fair Value Measurements	109
Note 16 - Financial Guarantees and Warranties	111
Note 17 - Commitments and Contingent Liabilities	112
Note 18 - Stockholders' Equity (Deficit)	117
Note 19 - Related Party Balances and Transactions	121
Note 20 - Segments of Business	121

McKESSON CORPORATION**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and the Board of Directors of McKesson Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of McKesson Corporation and subsidiaries (the “Company”) as of March 31, 2024, and 2023, the related consolidated statements of operations, comprehensive income, stockholders’ equity (deficit), and cash flows, for each of the three years in the period ended March 31, 2024, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). We also have audited the Company’s internal control over financial reporting as of March 31, 2024, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and 2023, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2024, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2024, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

Basis for Opinions

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our

audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

McKESSON CORPORATION

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Uncertain Tax Position, Opioid Claims - refer to Note 1 and Note 6 to the financial statements

Critical Audit Matter Description

The Company has recorded charges and related tax benefit for opioid-related claims. In order to account for the uncertainty associated with the ultimate realization of the income tax benefit related to opioid claims, the Company recorded an uncertain tax position reserve. Tax benefits from uncertain tax positions are recognized when, based upon the technical tax merits, it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes. The net amount of income tax benefit recognized by management is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized. The Company uses significant judgment in evaluating the technical tax merits of income tax benefits that qualify for

recognition, including the determination of the amount that is more likely than not of being realized for U.S. federal and state income tax purposes.

We identified the Company’s uncertain tax position related to liabilities arising from opioid claims as a critical audit matter because of the challenges in auditing management’s estimate of the amount of income tax benefit that qualifies for recognition. Specifically, there is significant judgment associated with the assessment of the technical tax merits, including the related interpretation of applicable tax laws and regulations. Auditing the uncertain tax position related to liabilities arising from opioid claims required a high degree of auditor judgment and an increased extent of effort, including the need to involve our tax specialists.

McKESSON CORPORATION**How the Critical Audit Matter Was Addressed in the Audit**

Our audit procedures related to the Company's uncertain tax position associated with liabilities arising from opioid claims included the following, among others:

- We tested the effectiveness of the Company's internal control related to management's assessment of the technical merits of its tax position and the amount of benefit more likely than not to be realized related to liabilities arising from opioid claims.
- With the assistance of our income tax specialists, we evaluated the facts, evidence and the Company's related income tax analysis for the uncertain tax position reserve associated with liabilities arising from opioid claims.
- We held inquiries with the Company's internal and external income tax specialists related to the uncertain tax position for liabilities arising from opioid claims.
- We evaluated any events after March 31, 2024, that might affect management's accounting treatment and related applicable disclosures.
- We obtained written representations from executives and internal legal counsel of the Company.
- We obtained and reviewed terms related to the Company's settlements opioid claims and evaluated them against the deductibility criteria set forth by relevant tax laws and regulations.
- We evaluated the Company's related disclosures for consistency with our testing and also searched for contradictory evidence by reading disclosures from peer companies, who are also party to opioid litigation.

/s/ Deloitte & Touche LLP

Dallas, Texas

May 7, 2024

We have served as the Company's auditor since 1968.

[Table of Contents](#)

[Item 8 Index](#)

McKESSON CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

[illegible]

See Financial Notes
60

Years Ended March 31,

61

[Table of Contents](#)

[Item 8 Index](#)

McKESSON CORPORATION
CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

	March 31,	
	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,583	\$ 4,678
Receivables, net	21,622	19,410
Inventories, net	21,139	19,691
Prepaid expenses and other	626	513
Total current assets	47,970	44,292
Property, plant, and equipment, net	2,316	2,177
Operating lease right-of-use assets	1,729	1,635
Goodwill	10,132	9,947
Intangible assets, net	2,110	2,277
Other non-current assets	3,186	1,992
Total assets	\$ 67,443	\$ 62,320
LIABILITIES AND DEFICIT		
Current liabilities		
Drafts and accounts payable	\$ 47,097	\$ 42,490
Current portion of long-term debt	50	968
Current portion of operating lease liabilities	295	299
Other accrued liabilities	4,915	4,200
Total current liabilities	52,357	47,957
Long-term debt	5,579	4,626
Long-term deferred tax liabilities	917	1,387
Long-term operating lease liabilities	1,466	1,402
Long-term litigation liabilities	6,113	6,625
Other non-current liabilities	2,610	1,813
Commitments and contingent liabilities (Note 17)		
McKesson Corporation stockholders' deficit		
Preferred stock, \$0.01 par value, 100 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.01 par value, 800 shares authorized, 278 and 277 shares issued at March 31, 2024 and 2023, respectively	3	3
Additional paid-in capital	8,048	7,747
Retained earnings	14,978	12,295
Accumulated other comprehensive loss	(881)	(905)
Treasury shares, at cost, 148 and 141 shares at March 31, 2024 and 2023, respectively	(24,119)	(20,997)
Total McKesson Corporation stockholders' deficit	(1,971)	(1,857)
Noncontrolling interests	372	367
Total deficit	(1,599)	(1,490)
Total liabilities and deficit	\$ 67,443	\$ 62,320

See Financial Notes
62

[Table of Contents](#)

[Item 8 Index](#)

McKESSON CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(In millions, except per share amounts)

McKesson Corporation Stockholders' Equity (Deficit)

	Common Stock				Treasury				Noncontrolling Interests	Total Equity (Deficit)
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Common Shares	Amount			
Balance, March 31, 2021	273	\$ 2	\$ 6,925	\$ 8,202	\$ (1,480)	(115)	\$(13,670)	\$ 196	\$ 175	
Issuance of shares under employee plans, net of forfeitures	2	—	220	—	—	—	(71)	—	149	
Share-based compensation	—	—	154	—	—	—	—	—	154	
Repurchase of common stock	—	—	(204)	—	—	(15)	(3,304)	—	(3,508)	
Net income	—	—	—	1,114	—	—	—	165	1,279	
Other comprehensive income (loss)	—	—	—	—	116	—	—	(4)	112	
Cash dividends declared, \$1.83 per common share	—	—	—	(279)	—	—	—	—	(279)	
Payments to noncontrolling interests	—	—	—	—	—	—	—	(155)	(155)	
Exercise of put right by noncontrolling shareholders of McKesson Europe AG	—	—	178	—	(170)	—	—	—	8	
Reclassification of McKesson Europe AG redeemable noncontrolling interests	—	—	—	—	—	—	—	287	287	
Reclassification of recurring compensation to other accrued liabilities	—	—	—	—	—	—	—	(7)	(7)	
Other	—	—	2	(7)	—	—	—	(2)	(7)	
Balance, March 31, 2022	275	2	7,275	9,030	(1,534)	(130)	(17,045)	480	(1,792)	

See Financial Notes

63

[Table of Contents](#)

[Item 8 Index](#)

McKESSON CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Years Ended March 31,		
	2024	2023	2022
OPERATING ACTIVITIES			
Net income	\$ 3,160	\$ 3,722	\$ 1,287
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	253	248	279
Amortization	382	360	481
Long-lived asset impairment charges	43	72	175
Deferred taxes	(603)	(20)	34
Charges (credits) associated with last-in, first-out inventory method	(157)	1	(23)
Non-cash operating lease expense	228	249	241
Gain from sales of businesses and investments	(17)	(211)	(132)
Provision for bad debts	819	45	29
European businesses held for sale	—	—	1,509
Other non-cash items	233	253	472
Changes in assets and liabilities, net of acquisitions:			
Receivables	(2,954)	(1,082)	(1,843)
Inventories	(1,294)	(1,259)	(1,169)
Drafts and accounts payable	4,587	3,788	2,802
Operating lease liabilities	(339)	(338)	(356)
Taxes	331	363	243
Litigation liabilities	(395)	(1,088)	199
Other	37	56	206
Net cash provided by operating activities	4,314	5,159	4,434
INVESTING ACTIVITIES			
Payments for property, plant, and equipment	(431)	(390)	(388)
Capitalized software expenditures	(256)	(168)	(147)
Acquisitions, net of cash, cash equivalents, and restricted cash acquired	(272)	(867)	(6)
Proceeds from sales of businesses and investments, net	47	1,077	578
Other	(160)	(194)	(126)
Net cash used in investing activities	(1,072)	(542)	(89)
FINANCING ACTIVITIES			
Proceeds from short-term borrowings	19,964	8,450	11,192
Repayments of short-term borrowings	(19,964)	(8,450)	(11,192)
Proceeds from issuances of long-term debt	991	997	498
Repayments of long-term debt	(288)	(1,274)	(1,648)
Purchase of U.S. government obligations for the satisfaction and discharge of long-term debt	(647)	—	—
Payments for debt extinguishments	—	—	(184)
Common stock transactions:			
Issuances	116	163	220
Share repurchases	(3,025)	(3,638)	(3,516)
Dividends paid	(314)	(292)	(277)

See Financial Notes
64

McKESSON CORPORATION**FINANCIAL NOTES****1. Significant Accounting Policies**

Nature of Operations: McKesson Corporation together with its subsidiaries (collectively, the “Company” or “McKesson”) is a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. McKesson partners with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products, and services to help make quality care more accessible and affordable. The Company reports its financial results in four reportable segments: U.S. Pharmaceutical, Prescription Technology Solutions (“RxTS”), Medical-Surgical Solutions, and International. Refer to Financial Note 20, “Segments of Business,” for additional information.

Basis of Presentation: The consolidated financial statements and accompanying notes are prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”). The consolidated financial statements of McKesson include the financial statements of all majority-owned or controlled companies. For those consolidated subsidiaries where the Company’s ownership is less than 100%, the portion of the net income or loss allocable to the noncontrolling interests is reported as “Net income attributable to noncontrolling interests” in the Consolidated Statements of Operations. All significant intercompany balances and transactions have been eliminated in consolidation, including the intercompany portion of transactions with equity method investees.

The Company considers itself to control an entity if it is the majority owner of or has voting control over such entity. The Company also assesses control through means other than voting rights and determines which business entity is the primary beneficiary of the variable interest entity (“VIE”). The Company consolidates VIEs when it is determined that it is the primary beneficiary of the VIE. Investments in business entities in which the Company does not have control, but instead has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method.

Fiscal Period: The Company’s fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references to a particular year shall mean the Company’s fiscal year.

Reclassifications: Certain prior period amounts have been reclassified to conform to the current year presentation.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual amounts could differ from those estimated amounts.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (the “IRA”). Among other provisions, the IRA includes a 15% corporate minimum tax, a 1% excise tax on certain repurchases of an entity’s own common stock after December 31, 2022, and various drug pricing reforms. The Company does not anticipate that this legislation will have a material impact on its consolidated financial statements or related disclosures;

however the Company continues to evaluate the impact of these legislative changes. Refer to Financial Note 18, "Stockholders' Equity (Deficit)," for further details regarding excise taxes incurred on the Company's share repurchases during the year ended March 31, 2024.

Cash and Cash Equivalents: All highly liquid debt and money market instruments purchased with an original maturity of three months or less at the date of acquisition are included in cash and cash equivalents. Cash equivalents are carried at fair value. Cash equivalents are primarily invested in AAA-rated U.S. government money market funds, short-term deposits with financial institutions, and short-term commercial papers issued by non-financial institutions. Deposits with financial institutions are primarily denominated in U.S. dollars and the functional currencies of the Company's foreign subsidiaries, including Canadian dollars, Euro, and British pounds sterling. Deposits could exceed the amounts insured by the Federal Deposit Insurance Corporation in the U.S. and similar deposit insurance programs in other jurisdictions. The Company mitigates the risk of its short-term investment portfolio by depositing funds with reputable financial institutions and monitoring risk profiles and investment strategies of money market funds.

Restricted Cash: Cash that is subject to legal restrictions or is unavailable for general operating purposes is classified as restricted cash and is included in "Prepaid expenses and other" and "Other non-current assets" in the Consolidated Balance Sheets. Restricted cash of \$395 million held in escrow as of March 31, 2022 related to obligations under settlement agreements for opioid-related claims of governmental entities was released during fiscal 2023. Refer to Financial Note 17, "Commitments and Contingent Liabilities," for additional information on opioid-related claims and litigation matters.

Concentrations of Credit Risk and Receivables: The Company's trade accounts receivable are subject to concentrations of credit risk with customers primarily in its U.S. Pharmaceutical segment. During fiscal 2024, sales to the Company's ten largest customers, including group purchasing organizations ("GPOs"), accounted for approximately 69% of its total consolidated revenues and approximately 43% of total trade accounts receivable at March 31, 2024. Sales to the Company's largest customer, CVS Health Corporation ("CVS"), accounted for approximately 28% of its total consolidated revenues in fiscal 2024 and comprised approximately 24% of total trade accounts receivable at March 31, 2024. As a result, the Company's sales and credit concentration is significant. The Company has agreements with GPOs, each of which functions as a purchasing agent on behalf of member hospitals, pharmacies, and other healthcare providers, as well as with government entities and agencies. The accounts receivable balances are with individual members of the GPOs, and therefore no significant concentration of credit risk exists. A material default in payment, a material reduction in purchases from GPOs or any other large customers, or the loss of a large customer or customer groups could have a material adverse impact on the Company's financial condition, results of operations, and liquidity. In addition, trade accounts receivables are subject to concentrations of credit risk with customers in the institutional, retail, and healthcare provider sectors, which can be affected by a downturn in the economy, changes in reimbursement policies, and other factors. This credit risk is mitigated by the size and diversity of the Company's customer base as well as its geographic dispersion.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

Inventories: Inventories consist of merchandise held for resale. The Company reports inventories at the lower of cost or net realizable value, except for inventories determined using the last-in, first-out (“LIFO”) method which are valued at the lower of LIFO cost or market. The LIFO method presumes that the most recent inventory purchases are the first items sold and the inventory cost under LIFO approximates market. The majority of the cost of domestic inventories is determined using the LIFO method. The majority of the cost of inventories held in foreign and certain domestic locations is based on the first-in, first-out (“FIFO”) method or weighted-average purchase prices. Rebates, cash discounts, and other incentives received from vendors are recognized in cost of sales upon the sale of the related inventory.

At March 31, 2024 and 2023, total inventories, net were \$21.1 billion and \$19.7 billion, respectively, in the Company’s Consolidated Balance Sheets. The LIFO method was used to value approximately 62% and 64% of the Company’s inventories at March 31, 2024 and 2023, respectively. If the Company had used the moving average method of inventory valuation, inventories would have been approximately \$227 million and \$384 million higher than the amounts reported at March 31, 2024 and 2023, respectively. These amounts are equivalent to the Company’s LIFO reserves. A LIFO charge is recognized when the net effect of price increases on pharmaceutical and non-pharmaceutical products held in inventory exceeds the impact of price declines, including the effect of branded pharmaceutical products that have lost market exclusivity. A LIFO credit is recognized when the net effect of price declines exceeds the impact of price increases on pharmaceutical and non-pharmaceutical products held in inventory. The Company recognized a LIFO credit of \$157 million in fiscal 2024, a LIFO charge of \$1 million in fiscal 2023, and a LIFO credit of \$23 million in fiscal 2022, all within “Cost of sales” in its Consolidated Statements of Operations. The LIFO credit in fiscal 2024 compared to a LIFO charge in fiscal 2023 was primarily due to lower brand inflation, offset by higher brand inventory levels, lower deflation from off patent launch activity, and lower generics deflation. The LIFO charge in fiscal 2023 compared to a LIFO credit in fiscal 2022 was primarily due to higher brand inflation and lower generics deflation, offset by higher off patent launch activity in fiscal 2023. The Company’s LIFO valuation amount includes both pharmaceutical and non-pharmaceutical products.

The Company believes that the moving average inventory costing method provides a reasonable estimation of the current cost of replacing inventory (i.e., “market”). As such, its LIFO inventory is valued at the lower of LIFO cost or market. As of March 31, 2024 and 2023, inventories at LIFO did not exceed market.

Shipping and Handling Costs: The Company includes costs to pack and deliver inventory to its customers in “Selling, distribution, general, and administrative expenses” in its Consolidated Statements of Operations. Shipping and handling costs of \$1.1 billion, \$1.2 billion, and \$1.1 billion were recognized in fiscal 2024, fiscal 2023, and fiscal 2022, respectively.

Held for Sale: Assets and liabilities to be disposed of by sale (“disposal groups”) are classified as “held for sale” if their carrying amounts are principally expected to be recovered through a sale transaction rather than through continuing use. The classification occurs when

the disposal group is available for immediate sale and the sale is probable. These criteria are generally met when management has committed to a plan to sell the assets within one year. Disposal groups are measured at the lower of carrying amount or fair value less costs to sell, and long-lived assets included within the disposal group are not depreciated or amortized. The fair value of a disposal group, less any costs to sell, is assessed during each reporting period it remains classified as held for sale, and any remeasurement to the lower of carrying value or fair value less costs to sell is reported as an adjustment to the carrying value of the disposal group. When the net realizable value of a disposal group increases during a period, a gain can be recognized to the extent that it does not increase the value of the disposal group beyond its original carrying value when the disposal group was reclassified as held for sale. Refer to Financial Note 2, “Business Acquisitions and Divestitures,” for additional information.

Property, Plant, and Equipment, Net: Property, plant, and equipment, net is stated at historical cost and depreciated under the straight-line method over the estimated useful life of each asset, which ranges from 15 to 30 years for building and improvements and three to 15 years for machinery, equipment, and other. Leasehold improvements and property, plant, and equipment, net under finance leases are amortized over their respective useful lives of the right-of-use (“ROU”) asset or over the term of the lease, whichever is shorter. Depreciation and amortization begins when an asset is placed in service and ready for its intended use. Repairs and maintenance costs are expensed as incurred. When certain events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable, an impairment assessment may be performed on the recoverability of the carrying amounts.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

The following table presents the components of the Company's property, plant, and equipment, net as of March 31, 2024 and 2023:

(In millions)	March 31,	
	2024	2023
Land	\$ 109	\$ 109
Building and improvements	1,482	1,413
Machinery, equipment, and other	2,751	2,603
Construction in progress	441	283
Total property, plant, and equipment	4,783	4,408
Accumulated depreciation and amortization	(2,467)	(2,231)
Property, plant, and equipment, net	\$ 2,316	\$ 2,177

Total depreciation expense for property, plant, and equipment, net and amortization of the ROU assets of finance leases was \$279 million, \$272 million, and \$312 million for the years ended March 31, 2024, 2023, and 2022, respectively.

Leases: The Company leases facilities and equipment primarily under operating leases. The Company recognizes lease expense on a straight-line basis over the term of the lease, taking into account, when applicable, lessor incentives for tenant improvements, periods where no rent payment is required, and escalations in rent payments over the term of the lease. As a practical expedient, the Company does not separate lease components from non-lease components, such as common area maintenance, utilities, and repairs and maintenance. Remaining terms for facility leases generally range from one to 15 years, while remaining terms for equipment leases generally range from one to five years. Most real property leases contain renewal options (typically for five-year increments). Generally, the renewal option periods are not included within the lease term as the Company is not reasonably certain to exercise that right at lease commencement. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating ROU assets and operating lease liabilities are recognized at the lease commencement date. ROU assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease liabilities are recognized based on the present value of the future lease payments over the lease term, discounted at the Company's incremental borrowing rate as the implicit rate in the lease is not readily determinable for most of the Company's leases. The Company estimates the discount rate as its incremental borrowing rate based on qualitative factors including Company specific credit rating, lease term, general economics, and the interest rate environment. Operating lease liabilities are recorded in "Current portion of operating lease liabilities" and "Long-term operating lease liabilities," and the corresponding lease assets are recorded in "Operating lease right-of-use assets" in the Company's Consolidated Balance Sheets. Finance lease

assets are included in "Property, plant, and equipment, net" and finance lease liabilities are included in "Current portion of long-term debt" and "Long-term debt" in the Company's Consolidated Balance Sheets. As a practical expedient, short-term leases with an initial term of 12 months or less are excluded from the Consolidated Balance Sheets and charges from these leases are expensed as incurred.

As a lessor, the Company primarily leases certain owned equipment, classified as direct financing or sales-type leases, to physician practices.

Refer to Financial Note 9, "Leases," for additional information on the Company's leases.

Goodwill: Goodwill is tested for impairment on an annual basis in the first fiscal quarter and more frequently if indicators of potential impairment exist. Impairment testing is conducted at the reporting unit level, which is generally defined as an operating segment or one level below an operating segment (also known as a component), for which discrete financial information is available and segment management regularly reviews the operating results.

The Company applies the goodwill impairment test by comparing the estimated fair value of a reporting unit to its carrying value and recording an impairment charge equal to the amount of excess carrying value above the estimated fair value, if any, but not to exceed the amount of goodwill allocated to the reporting unit.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

To estimate the fair value of its reporting units, the Company generally uses a combination of the market approach and the income approach. Under the market approach, it estimates fair value by comparing the business to similar businesses, or guideline companies whose securities are actively traded in public markets. Under the income approach, it uses a discounted cash flow (“DCF”) model in which cash flows anticipated over future periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate that is commensurate with the risk inherent within the reporting unit. Other estimates inherent in both the market and income approaches include long-term growth rates, projected revenues, and earnings and cash flow forecasts for the reporting units. In addition, the Company compares the aggregate of the reporting units’ fair values to the Company’s market capitalization as further corroboration of the fair values. Goodwill testing requires a complex series of assumptions and judgments by management in projecting future operating results, selecting guideline public companies for comparisons, and assessing risks. The use of alternative assumptions and estimates could affect the fair values and change the impairment determinations.

Intangible Assets: Currently all of the Company’s identifiable intangible assets are subject to amortization and are amortized based on the pattern of their economic consumption or on a straight-line basis over their estimated useful lives, ranging from one to 25 years. The Company reviews intangible assets for impairment at an asset group level whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated future undiscounted cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset group over its estimated fair value. The Company also performs a periodic review of its intangible assets and removes from the balance sheet fully amortized intangible assets that no longer provide an economic benefit, are no longer in use, or for which the related contract has expired. During the year ended March 31, 2024, the Company removed from the balance sheet \$1.4 billion of fully amortized gross intangible assets and the corresponding accumulated amortization.

Capitalized Software Held for Internal Use: The Company capitalizes costs of software held for internal use during the application development stage of a project and amortizes those costs using the straight-line method over their estimated useful lives, not to exceed 10 years. As of March 31, 2024 and 2023, capitalized software held for internal use was \$495 million and \$353 million, respectively, net of accumulated amortization of \$560 million and \$1.5 billion, respectively, and is included in “Other non-current assets” in the Consolidated Balance Sheets. Costs incurred during the preliminary project and post-implementation stages are expensed as incurred. Amortization expense for capitalized software held for internal use was \$102 million, \$101 million, and \$116 million for the years ended March 31, 2024, 2023, and 2022, respectively. The Company performs a periodic review of its capitalized software held for internal use and removes from the balance sheet fully amortized capitalized software costs that are determined to no longer be in use. During the year ended March 31, 2024, the Company removed from the balance sheet \$1.0 billion of fully amortized gross capitalized software held for internal use and the corresponding accumulated amortization.

Insurance Programs: The Company maintains insurance programs through its wholly-owned captive insurance subsidiaries (“Captives”) from which it obtains coverage for various exposures, including certain exposures arising from the opioid-related claims of governmental entities against the Company as discussed in more detail in Financial Note 17, “Commitments and Contingent Liabilities,” as well as those risks required to be insured by law or contract. It is the Company’s policy to retain a significant portion of certain losses, including those related to workers’ compensation and comprehensive general, product, and vehicle liability. Provisions for losses expected under insurance programs are recorded based on the Company’s estimate of the aggregate liability for claims incurred as well as for claims incurred but not yet reported. Such estimates utilize certain actuarial assumptions followed in the insurance industry. The Captives receive direct premiums, which are eliminated on consolidation against the Company’s premium costs within “Selling, distribution, general, and administrative expenses” in the Consolidated Statements of Operations.

Revenue Recognition: Revenue is recognized when an entity satisfies a performance obligation by transferring control of a promised good or service to a customer in an amount that reflects the consideration to which the entity expects to be entitled for that good or service.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

Revenues generated from the distribution of pharmaceutical and medical products represent the majority of the Company's revenues. The Company orders product from the manufacturer, receives and carries the product at its central distribution facilities, and delivers the product directly to its customers' warehouses, hospitals, or retail pharmacies. The distribution business primarily generates revenue from a contract related to a confirmed purchase order with a customer in a distribution arrangement. Revenue is recognized when control of goods is transferred to the customer which occurs upon the Company's delivery to the customer or upon customer pick-up. The Company also earns revenues from a variety of other sources including its retail, services, and technology businesses. Retail revenues are recognized at the point of sale. Service revenues, including technology service revenues, are recognized when services are rendered. Revenues derived from distribution and retail business at the point of sale represent approximately 98%, 99%, and 98% of total revenues for the years ended March 31, 2024, 2023, and 2022, respectively. Revenues derived from services represent approximately 2%, 1%, and 2% of total revenues for the years ended March 31, 2024, 2023, and 2022, respectively.

Revenues are recorded gross when the Company is the principal in the transaction, has the ability to direct the use of the goods or services prior to transfer to a customer, is responsible for fulfilling the promise to its customer, has latitude in establishing prices, and controls the relationship with the customer. The Company records its revenues net of sales taxes. Revenues are measured based on the amount of consideration that the Company expects to receive, reduced by estimates for return allowances, discounts, and rebates using historical data. Sales returns from customers were approximately \$3.0 billion, \$3.1 billion, and \$3.2 billion for the years ended March 31, 2024, 2023, and 2022, respectively. Assets for the right to recover products from customers and the associated refund liabilities for return allowances were not material as of March 31, 2024 and 2023. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs. The Company records deferred revenues when payments are received or due in advance of its performance. Deferred revenues are primarily from the Company's services arrangements and are recognized as revenues over the periods when services are performed.

The Company had no material contract assets, contract liabilities, or deferred contract costs recorded in its Consolidated Balance Sheets as of March 31, 2024 and 2023. The Company generally expenses costs to obtain a contract as incurred when the amortization period is less than one year.

Supplier Incentives: Fees for services and other incentives received from suppliers, relating to the purchase or distribution of inventory, are considered product discounts and are generally reported as a reduction to cost of sales.

Supplier Reserves: The Company establishes reserves against amounts due from suppliers relating to various fees for services and price and rebate incentives, including deductions taken against payments otherwise due to it. These reserve estimates are established based on judgment after considering the status of current outstanding claims, historical experience with the suppliers, the specific incentive programs, and any other

pertinent information available. The Company evaluates the amounts due from suppliers on a continual basis and adjusts the reserve estimates when appropriate based on changes in facts and circumstances. Adjustments to supplier reserves are generally included in cost of sales unless consideration from the vendor is in exchange for distinct goods or services or for pass-through rebate purchases. The ultimate outcome of any outstanding claims could be different than the Company's estimate. The supplier reserves primarily pertain to the Company's U.S. Pharmaceutical segment.

Income Taxes: The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or the tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The amount recognized is measured as the largest amount of tax benefit that is greater than 50% likely of being realized.

Interest Expense: Interest expense primarily includes interest for the Company's long-term debt obligations, commercial paper, net interest settlements of interest rate swaps, and the amortization of deferred issuance costs and original issue discounts on debt.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

Foreign Currency Translation: The reporting currency of the Company and its subsidiaries is the U.S. dollar. Its foreign subsidiaries generally consider their local currency to be their functional currency. Foreign currency-denominated assets and liabilities of these foreign subsidiaries are translated into U.S. dollars at period-end exchange rates, while revenues and expenses are translated at average exchange rates during the corresponding period and stockholders' equity or deficit accounts are primarily translated at historical exchange rates. Foreign currency translation adjustments are included in "Other comprehensive income, net of tax" in the Consolidated Statements of Comprehensive Income, and the cumulative effect is included in the stockholders' deficit section of the Consolidated Balance Sheets. Gains and losses from currency exchange transactions are recorded in "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations and were not material for the years ended March 31, 2024, 2023, or 2022. The Company releases cumulative translation adjustments from stockholders' equity or deficit into earnings as a gain or loss only upon a complete or substantially complete liquidation of a controlling interest in a subsidiary or a group of assets within a foreign entity. It also releases all or a pro-rata portion of the cumulative translation adjustments into earnings upon the sale of an equity method investment that is a foreign entity or has a foreign component.

Derivative Financial Instruments: Derivative financial instruments are used principally in the management of foreign currency exchange and interest rate exposures and are recorded in the Consolidated Balance Sheets at fair value. If a derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. The Company has used foreign currency-denominated notes and uses cross-currency swaps to hedge a portion of its net investment in its foreign subsidiaries. The Company uses cash flow hedges primarily to reduce the effects of foreign currency exchange rate risk related to intercompany loans denominated in non-functional currencies. If the financial instrument is designated as a cash flow hedge or net investment hedge, the effective portions of changes in the fair value of the derivative are included in "Other comprehensive income, net of tax" in the Consolidated Statements of Comprehensive Income, and the cumulative effect is included in the stockholders' deficit section of the Consolidated Balance Sheets. The cumulative changes in fair value are reclassified to the same line as the hedged item in the Consolidated Statements of Operations when the hedged item affects earnings. The Company evaluates hedge effectiveness at inception and on an ongoing basis, and ineffective portions of changes in the fair value of cash flow hedges and net investment hedges are recognized in earnings following the date when ineffectiveness was identified. Any cash flows received or paid as part of the termination of derivative financial instruments are classified within the Consolidated Statements of Cash Flows in accordance with the nature of the hedged item. Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the change included in earnings. Refer to Financial Note 14, "Hedging Activities," for additional information.

Comprehensive Income: Comprehensive income consists of two components: net income and other comprehensive income or loss. Other comprehensive income or loss refers to revenue, expenses, as well as gains and losses that are recorded as an element of stockholders' deficit but are excluded from earnings. The Company's other comprehensive

income or loss primarily consists of foreign currency translation adjustments from those subsidiaries where the local currency is the functional currency, including gains and losses on net investment hedges, as well as unrealized gains and losses on cash flow hedges and unrealized gains and losses on retirement-related benefit plans.

Noncontrolling Interests and Redeemable Noncontrolling Interests: Noncontrolling interests represent the portion of profit or loss, net assets, and comprehensive income or loss that is not allocable to McKesson Corporation. Net income attributable to noncontrolling interests includes third-party equity interests in the Company's consolidated entities, including: ClarusONE Sourcing Services LLP ("ClarusONE"), a joint venture established between McKesson and Walmart Inc. in fiscal 2017; Vantage Oncology Holdings, LLC ("Vantage"), a provider of integrated oncology and radiation services acquired in fiscal 2017; and SCRI Oncology, LLC ("SCRI Oncology"), an oncology research business formed in fiscal 2023. Net income attributable to noncontrolling interests also included recurring compensation that the Company was obligated to pay to the noncontrolling shareholders of McKesson Europe AG ("McKesson Europe"), formerly known as Celesio AG, under the domination and profit and loss transfer agreement. The Company's noncontrolling interest in McKesson Europe was included in the divestiture of certain of the Company's businesses in the European Union ("E.U.") in October 2022. Noncontrolling interests with redemption features, such as put rights, that are not solely within the Company's control are considered redeemable noncontrolling interests. Redeemable noncontrolling interests are presented outside of stockholders' deficit in the Company's Consolidated Balance Sheets. Refer to Financial Note 7, "Noncontrolling Interests and Redeemable Noncontrolling Interests," for additional information on noncontrolling and redeemable noncontrolling interests, and Financial Note 2, "Business Acquisitions and Divestitures," for additional information on the formation of SCRI Oncology and divestiture of McKesson Europe.

FINANCIAL NOTES (Continued)

Restructuring Charges: Restructuring charges are incurred for programs in which the Company changes its operations, the scope of a business undertaken by its business units, or the manner in which that business is conducted as well as long-lived asset impairments. Such charges may include employee severance, retention bonuses, facility closure or consolidation costs, lease or contract termination costs, asset impairments, accelerated depreciation and amortization, and other related expenses. The restructuring programs may be implemented due to the sale or discontinuation of a product line, reorganization or

management structure changes, headcount rationalization, realignment of operations or products, integration of acquired businesses, and/or company-wide cost saving initiatives. The amount and/or frequency of these restructuring charges are not part of the Company's underlying business, which include normal levels of reinvestment in the business. Employee severance costs are generally recognized when payments are probable and amounts are reasonably estimable. Costs related to contracts without future benefit or contract termination are recognized at fair value at the earlier of the contract termination or the cease-use dates. Other exit-related costs are expensed as incurred. Restructuring charges may also include credit adjustments due to subsequent changes in estimates. Refer to Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," for additional information.

Business Combinations: The Company accounts for business combinations using the acquisition method of accounting whereby the identifiable assets and liabilities of the acquired business, including contingent consideration, as well as any noncontrolling interest in the acquired business, are recorded at their estimated fair values as of the date that the Company obtains control of the acquired business. Any purchase consideration in excess of the estimated fair values of the net assets acquired is recorded as goodwill. Acquisition-related expenses and related restructuring costs are expensed as incurred.

Several valuation methods may be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, the Company typically uses a variation of the income approach, whereby a forecast of future cash flows attributable to the asset is discounted to present value using a risk-adjusted discount rate. Some of the more significant estimates and assumptions inherent in the income approach include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, and the assessment of the asset's expected useful life.

FINANCIAL NOTES (Continued)

Treasury Stock: We record purchases of treasury stock at cost, which is reflected as a reduction to stockholders' equity in the Company's Consolidated Balance Sheets. Incremental direct costs to purchase treasury stock, including any excise tax recognized as a result of the IRA, are included in the cost of the shares acquired. Treasury stock also includes shares withheld to satisfy the tax obligations of recipients of share-based compensation.

There were no accounting standards adopted by the Company during the year ended March 31, 2024.

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 improves the transparency of income tax disclosures by requiring, on an annual basis, consistent categories, and greater disaggregation of information in the rate reconciliation as well as income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for the Company for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in this update should be applied prospectively, however, retrospective application is permitted. The Company is currently evaluating the impact that this guidance will have on its disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 expands reportable segment disclosures by requiring disclosure, on an annual and interim basis, of significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”) and included within each reported measure of segment profit or loss as well as an amount and description of other segment items. ASU 2023-07 also requires interim disclosures of a reportable segment’s profit or loss and assets, disclosure of the title and position of the CODM, and an explanation of how the CODM uses the reported measure of segment profit or loss in assessing performance and allocating resources. ASU 2023-07 is effective for the Company for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in this update are required to be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact that this guidance will have on its disclosures.

Recent Securities and Exchange Commission Final Rules Not Yet Adopted

In March 2024, the Securities and Exchange Commission (“SEC”) adopted final rules under SEC Release Nos. 33-11275 and 34-99678, The Enhancement and Standardization of Climate-Related Disclosures for Investors, which would require registrants to provide certain climate-related information in their annual reports and registration statements and would allow phased-in implementation dates beginning with the Company’s Annual Report on Form 10-K for the year ended March 31, 2026. In April 2024, the SEC exercised its discretion to stay these rules pending the completion of judicial review of consolidated petitions challenging the validity of the rules. The Company is currently evaluating the impact of these rules in light of those legal challenges.

FINANCIAL NOTES (Continued)

The following table summarizes the final purchase price allocation for this acquisition:

	Amounts Recognized as of Acquisition Date (Final)
(In millions)	
Purchase consideration:	
Cash	\$ 600
Contingent consideration	92
Total purchase consideration	<u>\$ 692</u>
Identifiable assets acquired and liabilities assumed:	
Current assets	\$ 5
Intangible assets	229
Other non-current assets	3
Current liabilities	(8)
Total identifiable net assets	<u>229</u>
Goodwill	<u>463</u>
Net assets acquired	<u>\$ 692</u>

McKESSON CORPORATION**FINANCIAL NOTES (Continued)****SCRI Oncology, LLC**

On October 31, 2022, the Company completed a transaction with HCA Healthcare, Inc. ("HCA") to form SCRI Oncology, an oncology research business combining McKesson's U.S. Oncology Research ("USOR") and HCA's Sarah Cannon Research Institute ("SCRI") based in Nashville, Tennessee, to advance cancer care and increase access to oncology clinical research. McKesson owns a 51% controlling interest in the combined business, and the financial results are consolidated by the Company and reported within its U.S. Pharmaceutical segment as of the acquisition date. Transaction consideration included the transfer of full ownership interest in USOR to the combined business and \$166 million of net cash paid to HCA, which was funded from cash on hand. The transaction was accounted for as a business combination.

The purchase price allocation included acquired identifiable intangible assets of \$177 million, primarily representing customer relationships as well as trademarks and trade names with a weighted average amortization period of 17 years, and goodwill of \$113 million. Goodwill has been allocated to the Company's U.S. Pharmaceutical segment, which reflects the expected future benefits from certain synergies and intangible assets that do not qualify for separate recognition. Goodwill attributable to the acquisition of \$46 million is deductible for tax purposes. The Company recorded noncontrolling interest of \$225 million as a component of equity, which includes HCA's proportionate interest in the identifiable net assets of SCRI at fair value of \$202 million and its proportionate interest in the contributed net assets of USOR at carrying value of \$23 million. The difference between the fair value of the Company's acquired interest in SCRI net assets and the \$166 million of net cash paid to HCA was recognized as additional paid in capital, as well as the Company's reduction in ownership interest in USOR net assets.

The following table summarizes the final purchase price allocation for this acquisition:

	Amounts Recognized as of Acquisition Date (Final)
(In millions)	
Purchase consideration:	
Cash	\$ 166
Contribution of USOR	46
Total purchase consideration	<u>\$ 212</u>
Identifiable assets acquired and liabilities assumed:	
Receivables	\$ 224
Property, plant, and equipment	22
Operating lease right-of-use assets	31
Intangible assets	177
Other non-current assets	6
Current liabilities	(42)
Long-term operating lease liabilities	(29)
Other non-current liabilities	(43)
Total identifiable net assets	<u>346</u>
Noncontrolling interest	(225)
Additional paid-in capital	(22)
Goodwill	113
Net assets acquired	<u>\$ 212</u>

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

The fair value of the acquired identifiable intangible assets from the acquisitions discussed above were determined by applying the income approach, using a discounted cash flow model in which cash flows anticipated over several periods are discounted to their present value using an appropriate rate that is commensurate with the risk inherent with the transaction. These inputs are considered Level 3 inputs under the fair value measurements and disclosure guidance. The Company's fair value assessments of these acquisitions were finalized upon completion of the measurement period in the third quarter of fiscal 2024. There were no material changes to the purchase price allocations since the respective acquisition dates. Pro forma financial information has not been provided as these acquisitions did not have a material impact, individually, or in the aggregate, to the Company's consolidated results of operations.

Divestitures

In July 2021, the Company announced its intention to exit its businesses in Europe ("European Divestiture Activities"), as discussed in more detail below. Net gains related to these divestiture activities during the year ended March 31, 2023 were not material. During the year ended March 31, 2022, the Company recorded charges totaling \$1.6 billion primarily to remeasure the assets and liabilities of the disposal groups to fair value less costs to sell, including the effect of accumulated other comprehensive loss balances associated with the disposal groups largely driven by declines in the Euro and British pound sterling. The gains and charges for each year were recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations. The Company determined that the disposal groups did not meet the criteria for classification as discontinued operations.

European Divestiture Activities

On October 31, 2022, the Company completed its previously announced transaction to sell certain of its businesses in the E.U. located in France, Italy, Ireland, Portugal, Belgium, and Slovenia, along with its German headquarters and wound-care business, part of a shared services center in Lithuania, and its ownership stake in a joint venture in the Netherlands ("E.U. disposal group") to the PHOENIX Group. As part of the transaction, the Company received cash proceeds of \$892 million and divested net assets of \$1.3 billion, including cash of \$319 million, derecognized the carrying value of its noncontrolling interest held by minority shareholders of McKesson Europe of \$382 million, and released \$153 million of net accumulated other comprehensive loss. During the years ended March 31, 2023 and 2022, the Company recorded net gains of \$66 million and net charges totaling \$438 million, respectively, to remeasure the E.U. disposal group to fair value less costs to sell. The charges for the year ended March 31, 2022 also included impairments of individual assets, such as certain internal-use software that will not be utilized in the future, prior to adjusting the E.U. disposal group as a whole, and net losses of \$151 million related to the accumulated other comprehensive loss balances associated with the E.U. disposal group, driven by declines in the Euro. The charges were recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations. The Company's measurement of the fair value of the E.U. disposal group was based on the total consideration received by the Company as outlined in the transaction agreement. Certain components of the total

consideration included fair value measurements that fall within Level 3 of the fair value hierarchy.

On April 6, 2022, the Company completed the previously announced sale of its retail and distribution businesses in the United Kingdom (“U.K. disposal group”) to Aurelius Elephant Limited for a purchase price of £110 million (or, approximately \$144 million), including certain adjustments. As part of the transaction, the Company divested net assets of \$615 million and released \$731 million of accumulated other comprehensive loss and the buyer assumed and repaid a note payable to the Company of \$118 million. During the year ended March 31, 2022, the Company recorded charges totaling \$1.2 billion, primarily consisting of adjustments to remeasure the U.K. disposal group to fair value less costs to sell. The remeasurement adjustments included a \$734 million loss related to the accumulated other comprehensive loss balances associated with the U.K. disposal group, driven by declines in the British pound sterling. The charges were recorded within “Selling, distribution, general, and administrative expenses” in the Consolidated Statement of Operations. The Company’s measurement of the fair value of the U.K. disposal group was based on the total consideration received by the Company as outlined in the transaction agreement. Certain components of the total consideration included fair value measurements that fall within Level 3 of the fair value hierarchy.

On January 31, 2022, the Company completed the sale of its Austrian business to Quadrifolia Management GmbH in a management-led buyout for a purchase price of €244 million (or, approximately \$276 million), including certain adjustments. The Company divested net assets of the Austrian business of \$272 million and the buyer assumed a note payable to the Company of approximately \$63 million, which was paid to McKesson in the fourth quarter of fiscal 2022. During the year ended March 31, 2022, the Company recognized a loss of \$32 million which was recorded within “Selling, distribution, general, and administrative expenses” in the Consolidated Statement of Operations.

FINANCIAL NOTES (Continued)

Other

3. Restructuring, Impairment, and Related Charges, Net

Restructuring Initiatives

During the first quarter of fiscal 2022, the Company approved an initiative to increase operational efficiencies and flexibility by transitioning to a partial remote work model for certain employees. This initiative primarily included the rationalization of the Company's office space in North America. Where the Company ceased using office space, it exited the portion of the facility no longer used. It also retained and repurposed certain other office locations. The Company recorded charges of \$124 million for the year ended March 31, 2022, primarily related to lease right-of-use and other long-lived asset impairments, lease exit costs, and accelerated depreciation and amortization. This initiative was substantially complete in fiscal 2022.

Fiscal 2024

Restructuring, impairment, and related charges, net for the year ended March 31, 2024 consisted of the following:

Year Ended March 31, 2024

(In millions)	U.S. Pharmaceutical	Prescription Technology Solutions ⁽¹⁾	Medical- Surgical Solutions	International	Corporate ⁽¹⁾	Total
Severance and employee-related costs, net	\$ 10	\$ —	\$ (1)	\$ 2	\$ (1)	\$ 10
Exit and other-related costs ⁽²⁾	3	11	12	9	27	62
Asset impairments and accelerated depreciation	4	—	—	10	29	43
Total	\$ 17	\$ 11	\$ 11	\$ 21	\$ 55	\$115

(1) Includes costs related to operational efficiencies and cost optimization efforts described above to support the Company's technology solutions.

(2) Exit and other-related costs consist of accruals for costs to be incurred without future economic benefits, project consulting fees, and other exit costs expensed as incurred.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

Fiscal 2023

Restructuring, impairment, and related charges, net for the year ended March 31, 2023 consisted of the following:

Year Ended March 31, 2023							
(In millions)	U.S. Pharmaceutical (1)	Prescription Technology Solutions (1)	Medical- Surgical Solutions	International	Corporate (1)	Total	
Severance and employee-related costs, net	\$ 6	\$ 23	\$ 2	\$ 4	\$ —	\$ 35	
Exit and other-related costs (2)	7	7	3	21	64	102	
Asset impairments and accelerated depreciation	25	13	5	10	19	72	
Total	\$ 38	\$ 43	\$ 10	\$ 35	\$ 83	\$209	

(1) Includes costs related to operational efficiencies and cost optimization efforts described above to support the Company's technology solutions.

(2) Exit and other-related costs consist of accruals for costs to be incurred without future economic benefits, project consulting fees, and other exit costs expensed as incurred. Corporate includes costs for business transformation and optimization efforts related to the Company's technology organization. The International segment includes costs related to the Company's European divestitures.

Fiscal 2022

Restructuring, impairment, and related charges, net for the year ended March 31, 2022 consisted of the following:

McKESSON CORPORATION

The following table summarizes the activity related to the liabilities associated with the Company's restructuring initiatives for the years ended March 31, 2024 and 2023:

	U.S. Pharmaceutical		Prescription Technology Solutions		Medical- Surgical Solutions		International	Corporate	Total		
(In millions)											
Balance, March 31, 2022	\$	11	\$	3	\$	1	\$	56	\$	59	\$130
Restructuring, impairment, and related charges, net		38		43		10		35		83	209
Non-cash charges		(25)		(13)		(5)		(10)		(19)	(72)
Cash payments		(9)		(7)		(3)		(10)		(86)	(115)
Other ⁽¹⁾		—		—		—		(58)		(2)	(60)
Balance, March 31, 2023 ⁽²⁾		15		26		3		13		35	92
Restructuring, impairment, and related charges, net		17		11		11		21		55	115
Non-cash charges		(4)		—		—		(10)		(29)	(43)
Cash payments		(15)		(32)		(13)		(5)		(40)	(105)
Other ⁽¹⁾		5		—		—		(9)		—	(4)
Balance, March 31, 2024 ⁽³⁾	\$	18	\$	5	\$	1	\$	10	\$	21	\$ 55

(1) Other primarily includes cumulative translation adjustments and transfers to certain other liabilities. For the Company's International segment, other also includes a reduction to the liability for the divestitures of the E.U. disposal group and the U.K. disposal group in fiscal 2023, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures."

- (2) As of March 31, 2023, the total reserve balance was \$92 million, of which \$66 million was recorded in “Other accrued liabilities” and \$26 million was recorded in “Other non-current liabilities” in the Company’s Consolidated Balance Sheet.
- (3) As of March 31, 2024, the total reserve balance was \$55 million, of which \$24 million was recorded in “Other accrued liabilities” and \$31 million was recorded in “Other non-current liabilities” in the Company’s Consolidated Balance Sheet.

Long-Lived Asset Impairments

Fiscal 2024

There were no material long-lived asset impairments recorded in fiscal 2024.

Fiscal 2023

There were no material long-lived asset impairments recorded in fiscal 2023.

Fiscal 2022

In fiscal 2022, the Company recognized charges totaling \$36 million to impair certain long-lived assets within the International segment related to the Company’s previous operations in Denmark and its retail pharmacy businesses in Canada. The Company used an income approach and a market approach to estimate the fair value of the long-lived assets.

4. Share-Based Compensation

The Company provides share-based compensation to its employees, officers, and non-employee directors, including restricted stock units (“RSUs”), performance-based stock units (“PSUs”), stock options, and an employee stock purchase plan (“ESPP”) (collectively, “share-based awards”). Most of the share-based awards are granted in the first quarter of each fiscal year.

Share-based compensation expense for the share-based awards is recognized for the portion of awards ultimately expected to vest. The Company estimates the number of share-based awards that will ultimately vest primarily based on historical experience. The estimated forfeiture rate established upon grant is re-assessed throughout the requisite service period and is adjusted when actual forfeitures occur. The actual forfeitures in future reporting periods could be higher or lower than current estimates.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

Share-based compensation expense is classified in the Consolidated Statements of Operations in the same manner as cash compensation paid to the Company's employees and included in "Selling, distribution, general, and administrative expenses."

Impact on Net Income

The components of share-based compensation expense and related tax benefits were as follows:

(In millions)	Years Ended March 31,		
	2024	2023	2022
Restricted stock unit awards ⁽¹⁾	\$ 168	\$ 149	\$ 148
Stock options	—	—	2
Employee stock purchase plan	14	13	11
Share-based compensation expense	182	162	161
Tax benefit for share-based compensation expense ⁽²⁾	(72)	(87)	(35)
Share-based compensation expense, net of tax	\$ 110	\$ 75	\$ 126

(1) Includes share-based compensation expense recognized for RSUs and PSUs.

(2) Income tax benefit is computed using the tax rates of applicable tax jurisdictions. Additionally, a portion of share-based compensation expense is not tax-deductible. Income tax benefit for fiscal 2024, fiscal 2023, and fiscal 2022 included discrete income tax benefits of \$37 million, \$58 million, and \$10 million, respectively.

Stock Plans

In April 2022, the Company's stockholders approved the McKesson Corporation 2022 Stock Plan (the "2022 Stock Plan"), to replace the McKesson Corporation 2013 Stock Plan (the "2013 Stock Plan"), which expired in 2023. The 2022 Stock Plan permits the grant of awards in the form of restricted stock, RSUs, PSUs, stock options, and other share-based awards to selected employees, officers, and non-employee directors. The shares previously reserved under the 2013 Stock Plan are no longer available for issuance pursuant to the 2022 Stock Plan. As of March 31, 2024, 4.5 million shares remain available for future grant under the 2022 Stock Plan and no shares are available for future grant under the 2013 Stock Plan.

Restricted Stock Unit Awards

RSUs entitle the holder to receive a specified number of shares of the Company's common stock which vest over a period of generally three to four years as determined by the Compensation Committee at the time of grant. The fair value of the award is determined based on the price of the Company's common stock on the grant date and the related share-based compensation expense is recognized over the vesting period on a straight-line basis.

PSUs are conditional upon the attainment of market and performance objectives over a specified period. The number of vested PSUs is assessed at the end of a three-year performance period upon attainment of meeting certain earnings per share targets, average return on invested capital, and for certain participants, total shareholder return relative to a peer group of companies. The Company uses the Monte Carlo simulation model to measure the fair value of the total shareholder return portion of the PSUs. The earnings per share portion of the PSUs is measured at the grant date market price. PSUs have a requisite service period of generally three years. Expense is attributed to the requisite service period on a straight-line basis based on the fair value of the PSUs, adjusted for the performance modifier at the end of each reporting period. For PSUs that are designated as equity awards, the fair value is measured at the grant date.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

The weighted-average assumptions used in the Monte Carlo valuations were as follows:

	Years Ended March 31,		
	2024	2023	2022
Expected stock price volatility	24 %	34 %	35 %
Expected dividend yield	0.6 %	0.6 %	0.9 %
Risk-free interest rate	3.9 %	2.7 %	0.3 %
Expected life (in years)	3	3	3

The following table summarizes activity for RSUs and PSUs during fiscal 2024:

	Shares	Weighted-Average Grant Date Fair Value Per Share
(In millions, except per share data)		
Nonvested, March 31, 2023	1.7	\$ 238.77
Granted	0.5	405.03
Cancelled	(0.1)	314.09
Vested	(0.7)	203.55
Nonvested, March 31, 2024	1.4	\$ 307.73

The following table provides data related to RSU and PSU award activity:

	Years Ended March 31,		
	2024	2023	2022
(In millions)			
Total fair value of shares vested	\$ 143	\$ 200	\$ 144
Total compensation cost, net of estimated forfeitures, related to nonvested restricted stock unit awards not yet recognized, pre-tax	\$ 205	\$ 192	\$ 165
Weighted-average period in years over which restricted stock unit award cost is expected to be recognized	2	2	2

Stock Options

Stock options are granted with an exercise price at no less than the fair market value and those options granted under the stock plans generally have a contractual term of seven years and follow a four-year vesting schedule. The Company did not grant any stock options during the years ended March 31, 2024, 2023, and 2022.

Share-based compensation expense for stock options is recognized on a straight-line basis over the requisite service period and is based on the grant-date fair value for the portion of the awards that is ultimately expected to vest. The Company uses the Black-Scholes options-pricing model to estimate the fair value of its stock options. Once the fair value of an employee stock option is determined, current accounting practices do not permit it to be changed, even if the estimates used are different from actual.

The following is a summary of stock options outstanding at March 31, 2024:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options Outstanding at Year End (In millions)	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number of Options Exercisable at Year End (In millions)	Weighted-Average Exercise Price
\$124.12 — \$159.00	0.1	1	\$ 145.78	0.1	\$ 145.78

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

The following table summarizes stock option activity during fiscal 2024:

(In millions, except per share data)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ⁽²⁾
Outstanding, March 31, 2023	0.4	\$ 154.36	1	\$ 73
Granted	—	—		
Cancelled	—	—		
Exercised	(0.3)	157.99		
Outstanding, March 31, 2024	0.1	145.78	1	42
Vested and expected to vest ⁽¹⁾	0.1	145.78	1	42
Vested and exercisable, March 31, 2024	0.1	145.78	1	42

(1) The number of options expected to vest takes into account an estimate of expected forfeitures.

(2) The intrinsic value is calculated as the difference between the period-end market price of the Company's common stock and the exercise price of "in-the-money" options.

The following table provides data related to stock option activity:

(In millions, except per share data)	Years Ended March 31,		
	2024	2023	2022
Weighted-average grant date fair value per stock option	\$ —	\$ —	\$ —
Aggregate intrinsic value on exercise	\$ 77	\$ 69	\$ 28
Cash received upon exercise	\$ 40	\$ 93	\$ 157
Tax benefits realized related to exercise	\$ 16	\$ 4	\$ 5
Total fair value of stock options vested	\$ —	\$ 1	\$ 5
Total compensation cost, net of estimated forfeitures, related to unvested stock options not yet recognized, pre-tax	\$ —	\$ —	\$ —
Weighted-average period in years over which stock option compensation cost is expected to be recognized	0	0	0

Employee Stock Purchase Plan

The Company has an ESPP under which 23.1 million shares have been authorized for issuance. The ESPP allows eligible employees to purchase shares of the Company's common

stock through payroll deductions. The deductions occur over three-month purchase periods and the shares are then purchased at 85% of the market price at the end of each purchase period. Employees are allowed to terminate their participation in the ESPP at any time during the purchase period prior to the purchase of the shares, subject to the Company's insider trading policies and procedures. The 15% discount provided to employees on these shares is included in share-based compensation expense. The shares related to funds outstanding at the end of a quarter are included in the calculation of diluted weighted-average shares outstanding. These amounts have not been significant for all the years presented. The Company recognizes costs for employer matching contributions as ESPP expense over the relevant purchase period. Shares issued under the ESPP were not material in fiscal 2024, fiscal 2023, and fiscal 2022. At March 31, 2024, 3.4 million shares remain available for issuance.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

5. Other Income, Net

Other income, net consists of the following:

(In millions)	Years Ended March 31,		
	2024	2023	2022
Interest income ⁽¹⁾	\$ 118	\$ 107	\$ 10
Equity in earnings, net ⁽²⁾	4	5	43
Net gains (losses) on investments in equity securities ⁽³⁾	(24)	106	98
Other, net ⁽⁴⁾	34	279	108
Total	\$ 132	\$ 497	\$ 259

- (1) The increase in interest income for fiscal 2024 and fiscal 2023 compared to fiscal 2022 is primarily due to higher interest rates on certain cash balances.
- (2) Primarily recorded within the Company's International segment for fiscal 2022.
- (3) Represents net realized and unrealized gains and losses as well as impairment charges on the Company's investments in equity securities of certain U.S. growth stage companies in the healthcare industry. These net gains and losses primarily relate to mark-to-market adjustments for investments which are measured at fair value based on changes in the observable price of the securities and realized gains on the disposal of certain of these investments, including a gain of \$142 million for the year ended March 31, 2023 related to the exit of one of the Company's investments in equity securities in July 2022 for proceeds of \$179 million. Refer to Financial Note 15, "Fair Value Measurements," for more information on these types of investments.
- (4) Other, net for all periods presented includes income recognized from finance charges to customers primarily for late fees.

Other, net for year ended March 31, 2023 includes the following:

- a gain of \$126 million related to a cash payment received for the early termination of a tax receivable agreement ("TRA") exercised by Change Healthcare Inc. ("Change") in October 2022. The Company was a party to a TRA entered into as part of the formation of the joint venture with Change, from which McKesson has since exited and in October 2022, Change exercised its right pursuant to the TRA to terminate the agreement; and
- a gain of \$97 million recognized from the termination of certain forward starting fixed interest rate swaps, as discussed in more detail in Financial Note 14, "Hedging Activities."

Other, net for the year ended March 31, 2022 includes a gain of \$42 million as part of the completed sale of the Company's previously held 30% interest in its German pharmaceutical wholesale joint venture to Walgreens Boots Alliance ("WBA").

6. Income Taxes

(In millions)	Years Ended March 31,		
	2024	2023	2022
Income from continuing operations before income taxes			
U.S.	\$ 2,597	\$ 3,308	\$ 1,944
Foreign	1,192	1,322	(16)
Income from continuing operations before income taxes	\$ 3,789	\$ 4,630	\$ 1,928

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

Deferred tax balances consisted of the following:

(In millions)	March 31,	
	2024	2023
Assets		
Receivable allowances	\$ 244	\$ 51
Opioid-related litigation and claims	680	699
Compensation and benefit-related accruals	277	265
Net operating loss and credit carryforwards	751	760
Lease obligations	438	427
Capitalized research and development cost	60	35
Intangibles	5	—
Other	147	127
Subtotal	2,602	2,364
Less: valuation allowance	(653)	(696)
Total assets	1,949	1,668
Liabilities		
Inventory valuation and other assets	(2,092)	(2,079)
Fixed assets	(16)	(67)
Intangibles	—	(267)
Lease right-of-use assets	(431)	(412)
Other	(10)	(19)
Total liabilities	(2,549)	(2,844)
Net deferred tax liability	\$ (600)	\$ (1,176)
Long-term deferred tax asset	\$ 317	\$ 211
Long-term deferred tax liability	(917)	(1,387)
Net deferred tax liability	\$ (600)	\$ (1,176)

The Company assesses the available positive and negative evidence to determine whether deferred tax assets are more likely than not to be realized. As a result of this assessment, valuation allowances have been recorded on certain deferred tax assets in various tax jurisdictions. The valuation allowances were approximately \$653 million and \$696 million in fiscal 2024 and fiscal 2023, respectively, and primarily relate to net operating and capital losses. The decrease in the valuation allowance of \$43 million from fiscal 2023 to fiscal 2024 relates primarily to the release of a valuation allowance based on management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized, partially offset by the net operating losses incurred in certain tax jurisdictions for which no tax benefit was recognized.

The Company has federal, state, and foreign net operating loss carryforwards of \$45 million, \$3.6 billion, and \$1.7 billion at March 31, 2024, respectively. Federal and state net operating losses will expire at various dates from 2025 through 2044. Substantially all its foreign net operating losses have indefinite lives. In addition, the Company has foreign capital loss carryforwards of \$717 million with indefinite lives.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

The following table summarizes the activity related to the Company's gross unrecognized tax benefits for the last three fiscal years:

(In millions)	Years Ended March 31,		
	2024	2023	2022
Unrecognized tax benefits at beginning of period	\$ 1,399	\$ 1,523	\$ 1,754
Additions based on tax positions related to prior years	10	—	14
Reductions based on tax positions related to prior years	(2)	(26)	(131)
Additions based on tax positions related to current year	64	21	14
Reductions based on settlements	(8)	(96)	(20)
Reductions based on the lapse of the applicable statutes of limitations	(2)	(16)	(102)
Exchange rate fluctuations	2	(7)	(6)
Unrecognized tax benefits at end of period	\$ 1,463	\$ 1,399	\$ 1,523

As of March 31, 2024, the Company had \$1.5 billion of unrecognized tax benefits, of which \$1.4 billion would reduce income tax expense and the effective tax rate, if recognized. The increase in unrecognized tax benefits in fiscal 2024 primarily relates to additions related to recurring items and the decrease in fiscal 2023 is primarily attributable to statute of limitation expirations in various taxing jurisdictions.

During the next twelve months, the Company does not anticipate any material reduction in its unrecognized tax benefits based on the information currently available. However, this may change as the Company continues to have ongoing discussions with various taxing authorities throughout the year.

During the fourth quarter of fiscal 2023, the Internal Revenue Service ("IRS") communicated proposed adjustments to taxable income reported in the Company's fiscal 2018 and fiscal 2019 U.S. Federal Corporate Income Tax returns. The adjustments would increase the Company's federal income tax liability in the range of \$600 million to \$700 million. The Company disagrees with the proposed adjustments and is pursuing resolution through the administrative process with the IRS Independent Office of Appeals and, if necessary, through judicial remedies. During the first quarter of fiscal 2024, the Company filed a formal protest with the IRS. The Company does not anticipate a final resolution of these matters in the next twelve months. Although the final resolution of these matters is uncertain, the Company believes in the merits of its tax positions and believes that it has adequately reserved for any adjustments to the provision of income taxes that may ultimately result. However, if the IRS prevails in these matters, the assessed tax and

interest could have a material adverse effect on the Company's financial position, results of operations, and cash flows in future periods.

The Company reports interest and penalties on income taxes as income tax expense. It recognized income tax expense of \$84 million, \$31 million, and \$8 million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively, representing interest and penalties, in its Consolidated Statements of Operations. As of March 31, 2024 and 2023, the Company accrued cumulatively \$222 million and \$138 million, respectively, in interest and penalties on unrecognized tax benefits in its Consolidated Balance Sheets.

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions, and various foreign jurisdictions. The Company is generally subject to audit by taxing authorities in various U.S. states and in foreign jurisdictions for fiscal 2016 through the current fiscal year.

Undistributed earnings of the Company's foreign operations of approximately \$4.3 billion were considered indefinitely reinvested at March 31, 2024. Following the enactment of the 2017 Tax Act, the repatriation of cash to the U.S. is generally no longer taxable for federal income tax purposes. However, the repatriation of cash held outside the U.S. could be subject to applicable foreign withholding taxes and state income taxes. The Company may remit foreign earnings to the U.S. to the extent it is tax efficient to do so. It does not expect the tax impact from remitting these earnings to be material.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)****7. Noncontrolling Interests and Redeemable Noncontrolling Interests****Noncontrolling Interests**

Noncontrolling interests represent third-party equity interests in the Company's consolidated entities primarily related to ClarusONE, Vantage, and SCRI Oncology. As discussed below, after June 15, 2021, noncontrolling interests also represented minority shareholder equity interests in McKesson Europe and at March 31, 2022, the Company owned approximately 95% of McKesson Europe's outstanding common shares. The Company's noncontrolling interest in McKesson Europe was included in the divestiture of the E.U. disposal group in October 2022, as discussed in Financial Note 2, "Business Acquisitions and Divestitures."

Noncontrolling interests in the Company's Consolidated Balance Sheets were \$372 million and \$367 million at March 31, 2024 and 2023, respectively. For the years ended March 31, 2024, 2023, and 2022, the Company allocated a total of \$158 million, \$162 million, and \$165 million of net income to noncontrolling interests, respectively.

Redeemable Noncontrolling Interests

The Company's previously recognized redeemable noncontrolling interests primarily related to its former consolidated subsidiary, McKesson Europe. Under the December 2014 domination and profit and loss transfer agreement (the "Domination Agreement"), the noncontrolling shareholders of McKesson Europe were entitled to receive an annual recurring compensation amount of €0.83 per share. The Company recorded a total attribution of net income to the noncontrolling shareholders of McKesson Europe of \$8 million for the year ended March 31, 2022, which was recorded in "Net income attributable to noncontrolling interests" in the Company's Consolidated Statement of Operations and the corresponding liability balance was recorded to other accrued liabilities.

Under the Domination Agreement, the noncontrolling shareholders of McKesson Europe had a right to put ("Put Right") their noncontrolling shares at €22.99 per share, increased annually for interest in the amount of five percentage points above a base rate published by the German Bundesbank semi-annually, less any compensation amount or guaranteed dividend already paid by McKesson with respect to the relevant time period ("Put Amount").

Subsequent to the Domination Agreement's registration, certain noncontrolling shareholders of McKesson Europe initiated appraisal proceedings ("Appraisal Proceedings") with the Stuttgart Regional Court to challenge the adequacy of the Put Amount, annual recurring compensation amount, and/or the guaranteed dividend. During the pendency of the Appraisal Proceedings, such amount was paid as specified in the Domination Agreement. On September 19, 2018, that court ruled that the Put Amount shall be increased by €0.51 resulting in an adjusted Put Amount of €23.50. The annual recurring compensation amount and/or the guaranteed dividend remained unadjusted. Noncontrolling shareholders of McKesson Europe appealed this decision. McKesson Europe Holdings GmbH & Co. KGaA also appealed the decision. On April 12, 2021, the Company received notice that the Stuttgart

Court of Appeals ruled that the Put Amount remained at €22.99, thereby rejecting the lower court's increase, and the recurring compensation remained at €0.83 per share.

Exercises of the Put Right reduced the balance of redeemable noncontrolling interests. The redeemable noncontrolling interest was adjusted each period for the proportion of other comprehensive income or loss, primarily due to changes in foreign currency exchange rates, attributable to the noncontrolling shareholders.

During fiscal 2022, the Company paid \$1.0 billion to purchase 34.5 million shares of McKesson Europe through exercises of the Put Right by the noncontrolling shareholders. This decreased the carrying value of the redeemable noncontrolling interests by \$983 million and the Company recorded the associated effect of the increase in the Company's ownership interest of \$178 million as an increase to McKesson stockholders' additional paid-in capital. The Put Right expired on June 15, 2021, at which point the remaining shares owned by the minority shareholders, with a carrying value of \$287 million, were transferred from "Redeemable noncontrolling interests" to "Noncontrolling interests."

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

Changes in noncontrolling interests and redeemable noncontrolling interests for the years ended March 31, 2024, 2023, and 2022 were as follows:

(In millions)	Noncontrolling Interests	Redeemable Noncontrolling Interests
Balance, March 31, 2021	\$ 196	\$ 1,271
Net income attributable to noncontrolling interests	165	8
Other comprehensive income (loss)	(4)	3
Payments to noncontrolling interests	(155)	—
Reclassification of recurring compensation to other accrued liabilities	(7)	(8)
Exercises of Put Right	—	(983)
Reclassification of McKesson Europe redeemable noncontrolling interests	287	(287)
Other	(2)	(4)
Balance, March 31, 2022	480	—
Net income attributable to noncontrolling interests	162	—
Other comprehensive income	44	—
Payments to noncontrolling interests	(150)	—
Reclassification of recurring compensation to other accrued liabilities	(5)	—
Formation of SCRI Oncology	225	—
Derecognition of noncontrolling interests in McKesson Europe	(382)	—
Other	(7)	—
Balance, March 31, 2023	367	—
Net income attributable to noncontrolling interests	158	—
Payments to noncontrolling interests	(152)	—
Other	(1)	—
Balance, March 31, 2024	\$ 372	\$ —

8. Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. The computation of diluted earnings (loss) per common share is similar to that of basic earnings (loss) per common share, except that the former reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Potentially dilutive securities include outstanding stock options, restricted stock units, and performance-based and other restricted stock units.

Less than one million of potentially dilutive securities for fiscal 2024, fiscal 2023, and fiscal 2022 were excluded from the computation of diluted earnings (loss) per common share as they were anti-dilutive.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

The computations for basic and diluted earnings or loss per common share were as follows:

(In millions, except per share amounts)	Years Ended March 31,		
	2024	2023	2022
Income from continuing operations	\$ 3,160	\$ 3,725	\$ 1,292
Net income attributable to noncontrolling interests	(158)	(162)	(173)
Income from continuing operations attributable to McKesson Corporation	3,002	3,563	1,119
Loss from discontinued operations, net of tax	—	(3)	(5)
Net income attributable to McKesson Corporation	<u>\$ 3,002</u>	<u>\$ 3,560</u>	<u>\$ 1,114</u>
Weighted-average common shares outstanding:			
Basic	133.2	141.1	152.3
Effect of dilutive securities:			
Stock options	0.2	0.2	0.2
Restricted stock units ⁽¹⁾	0.7	0.9	1.6
Diluted	<u>134.1</u>	<u>142.2</u>	<u>154.1</u>
Earnings (loss) per common share attributable to McKesson Corporation: ⁽²⁾			
Diluted			
Continuing operations	\$ 22.39	\$ 25.05	\$ 7.26
Discontinued operations	—	(0.02)	(0.03)
Total	<u>\$ 22.39</u>	<u>\$ 25.03</u>	<u>\$ 7.23</u>
Basic			
Continuing operations	\$ 22.54	\$ 25.25	\$ 7.35
Discontinued operations	—	(0.02)	(0.03)
Total	<u>\$ 22.54</u>	<u>\$ 25.23</u>	<u>\$ 7.32</u>

(1) Includes dilutive effect from restricted stock units and performance-based restricted stock units.

(2) Certain computations may reflect rounding adjustments.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

9. Leases

Lessee

Supplemental balance sheet information related to leases was as follows:

(In millions, except lease term and discount rate)	March 31,	
	2024	2023
Operating leases ⁽¹⁾		
Operating lease right-of-use assets	\$ 1,729	\$ 1,635
Current portion of operating lease liabilities	\$ 295	\$ 299
Long-term operating lease liabilities	1,466	1,402
Total operating lease liabilities	<u>\$ 1,761</u>	<u>\$ 1,701</u>
Finance leases		
Property, plant, and equipment, net	\$ 165	\$ 180
Current portion of long-term debt	\$ 30	\$ 29
Long-term debt	163	173
Total finance lease liabilities	<u>\$ 193</u>	<u>\$ 202</u>
Weighted-average remaining lease term (years)		
Operating leases	7.0	6.9
Finance leases	7.0	7.8
Weighted-average discount rate		
Operating leases	3.62 %	3.03 %
Finance leases	2.98 %	2.66 %

- (1) As discussed in Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," in fiscal 2022, the Company rationalized its office space, including certain property leases in North America, and in fiscal 2023, management approved further changes to its real estate footprint as part of a broader set of initiatives. Where the Company ceased using office space, it exited the portion of the facility no longer used and repurposed other office locations which resulted in changes to certain lease agreements. These initiatives did not have a material financial impact to the Company's operating lease ROU assets and liabilities.



McKESSON CORPORATION
FINANCIAL NOTES (Continued)

The components of lease cost were as follows:

(In millions)	Years Ended March 31,		
	2024	2023	2022
Short-term lease cost	\$ 14	\$ 20	\$ 43
Operating lease cost	418	384	431
Finance lease cost:			
Amortization of right-of-use assets	25	24	33
Interest on lease liabilities	5	6	5
Total finance lease cost	30	30	38
Variable lease cost ⁽¹⁾	131	128	127
Sublease income	(35)	(33)	(41)
Total lease cost ⁽²⁾	\$ 558	\$ 529	\$ 598

- (1) These amounts include payments for maintenance, taxes, payments affected by the consumer price index, and other similar metrics and payments contingent on usage.
- (2) These amounts were primarily recorded in "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations.

Supplemental cash flow information related to leases was as follows:

(In millions)	Years Ended March 31,		
	2024	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ (339)	\$ (338)	\$ (356)
Operating cash flows from finance leases	(1)	(1)	—
Financing cash flows from finance leases	(47)	(29)	(31)
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	\$ 391	\$ 462	\$ 286
Finance leases	21	17	32

Maturities of lease liabilities as of March 31, 2024 were as follows:

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

As of March 31, 2024, the Company entered into additional leases primarily for facilities that have not yet commenced with future lease payments of \$354 million that are not reflected in the table above. These operating leases will commence in calendar year 2024 with noncancellable lease terms of three to 15 years.

Lessor

The Company leases certain owned equipment, classified as direct financing or sales-type leases, to physician practices. As of March 31, 2024 and 2023, the total lease receivable was \$365 million and \$342 million, respectively, with a weighted-average remaining lease term of approximately eight years. Interest income from these leases was not material for the years ended March 31, 2024, 2023, and 2022.

10. Goodwill and Intangible Assets, Net

Goodwill

Changes in the carrying amount of goodwill were as follows:

(In millions)	U.S. Pharmaceutical (1)	Prescription Technology Solutions	Medical- Surgical Solutions	International	Total
Balance, March 31, 2022	\$ 3,923	\$ 1,542	\$ 2,453	\$ 1,533	\$ 9,451
Goodwill acquired (2)	160	463	—	5	628
Foreign currency translation adjustments, net	(21)	—	—	(99)	(120)
Other adjustments	(12)	—	—	—	(12)
Balance, March 31, 2023	4,050	2,005	2,453	1,439	9,947
Goodwill acquired (2)	80	19	83	13	195
Foreign currency translation adjustments, net	—	—	—	(3)	(3)
Other adjustments	(7)	—	—	—	(7)
Balance, March 31, 2024	\$ 4,123	\$ 2,024	\$ 2,536	\$ 1,449	\$ 10,132

- (1) Subsequent to the sale of the E.U. disposal group in October 2022, the goodwill balance allocated to the U.S. Pharmaceutical segment related to McKesson Europe's Celesio AG acquisition no longer reflects foreign currency translation adjustments as its functional currency was changed from Euros to U.S. dollars with the completion of this divestiture.
- (2) For fiscal 2023, primarily represents goodwill recognized from the acquisition of RxSS and formation of SCRI Oncology, as further discussed in Financial Note 2, "Business Acquisitions and Divestitures." For fiscal 2024, represents goodwill recognized from business acquisitions completed primarily during the fourth quarter of fiscal 2024 that are immaterial to the Company's financial statements, both individually and collectively.

Goodwill Impairment Charges

The Company evaluates goodwill for impairment on an annual basis in the first fiscal quarter, and more frequently if indicators for potential impairment exist. Goodwill impairment testing is conducted at the reporting unit level, which is generally defined as an operating segment or one level below an operating segment (also known as a component), for which discrete financial information is available and segment management regularly reviews the operating results of that reporting unit. During the first quarter of fiscal 2023, the Company voluntarily changed its annual goodwill impairment testing date from October 1st to April 1st to align with a change in the timing of the Company's annual long-term planning process. Accordingly, management determined that the change in accounting principle is preferable under the circumstance. This change has been applied prospectively from April 1, 2022, as a retrospective application is deemed impracticable due to the inability to objectively determine the assumptions and significant estimates used in earlier periods without the benefit of hindsight. This change was not material to the Company's consolidated financial statements as it did not delay, accelerate, or avoid any potential goodwill impairment charge.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

The fair value of the reporting units is determined using a combination of an income approach based on a DCF model and a market approach based on appropriate valuation multiples observed for the reporting unit's guideline public companies. Fair value estimates result from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions that have been deemed reasonable by management as of the measurement date. Any material changes in key assumptions, including failure to improve operations of certain retail pharmacy stores, additional government reimbursement reductions, deterioration in the financial markets, an increase in interest rates, or an increase in the cost of equity financing by market participants within the industry, or other unanticipated events and circumstances, may affect such estimates. The discount rates are the weighted-average cost of capital measuring the reporting unit's cost of debt and equity financing weighted by the percentage of debt and percentage of equity in a company's target capital. The unsystematic risk premium is an input factor used in calculating the discount rate that specifically addresses uncertainty related to the reporting unit's future cash flow projections. Fair value assessments of the reporting unit are considered a Level 3 measurement due to the significance of unobservable inputs developed using company-specific information.

The annual impairment testing performed for fiscal 2024, fiscal 2023, and fiscal 2022 did not indicate any impairment of goodwill.

As of March 31, 2024 and 2023, accumulated goodwill impairment losses in the Company's International segment were approximately \$700 million. Most of the goodwill impairment for these reporting units was generally not deductible for income tax purposes.

Intangible Assets

Information regarding intangible assets were as follows:

	March 31, 2024				March 31, 2023		
	Weighted-Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(Dollars in millions)							
Customer relationships	11	\$ 1,830	\$ (701)	\$ 1,129	\$ 2,971	\$ (1,765)	\$ 1,206
Service agreements	10	1,126	(676)	450	1,137	(623)	514
Trademarks and trade names	12	759	(395)	364	833	(430)	403
Technology	10	284	(125)	159	264	(129)	135
Other	6	34	(26)	8	193	(174)	19
Total ⁽¹⁾		\$ 4,033	\$ (1,923)	\$ 2,110	\$ 5,398	\$ (3,121)	\$ 2,277

(1) During the third quarter of fiscal 2024, the Company performed a review of its intangible assets and removed from the balance sheet \$1.4 billion of fully amortized gross intangible assets and the corresponding accumulated amortization associated with the assets that no longer provide an economic benefit, are no longer in use, or for which the related contract has expired.

All intangible assets were subject to amortization as of March 31, 2024 and 2023. Amortization expense of intangible assets was \$249 million, \$236 million, and \$332 million for fiscal 2024, fiscal 2023, and fiscal 2022, respectively. Estimated amortization expense of the assets listed in the table above is as follows: \$246 million, \$214 million, \$207 million, \$203 million, and \$200 million for fiscal 2025 through fiscal 2029, respectively, and \$1.0 billion thereafter.

Refer to Financial Note 2, "Business Acquisitions and Divestitures," for a description of the goodwill and intangible assets recognized as part of the RxSS acquisition and formation of SCRI Oncology.

Refer to Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," for more information on long-lived asset impairment charges recorded in fiscal 2022.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

11. Debt and Financing Activities

Long-term debt consisted of the following:

(In millions)	March 31,	
	2024	2023
U.S. Dollar notes ^{(1) (2)}		
3.80% Notes due March 15, 2024	—	918
0.90% Notes due December 3, 2025	500	500
5.25% Notes due February 15, 2026	499	499
1.30% Notes due August 15, 2026	499	498
7.65% Debentures due March 1, 2027	150	150
3.95% Notes due February 16, 2028	343	343
4.90% Notes due July 15, 2028	399	—
4.75% Notes due May 30, 2029	196	196
5.10% Notes due July 15, 2033	596	—
6.00% Notes due March 1, 2041	218	218
4.88% Notes due March 15, 2044	255	255
Foreign currency notes ^{(1) (3)}		
1.50% Euro Notes due November 17, 2025	646	649
1.63% Euro Notes due October 30, 2026	540	542
3.13% Sterling Notes due February 17, 2029	568	555
Lease and other obligations	220	271
Total debt	5,629	5,594
Less: Current portion	50	968
Total long-term debt	\$ 5,579	\$ 4,626

(1) These notes are unsecured and unsubordinated obligations of the Company.

(2) Interest on these U.S. dollar notes is payable semi-annually.

(3) Interest on these foreign currency notes is payable annually.

Long-Term Debt

The Company's long-term debt includes both U.S. dollar and foreign currency-denominated borrowings. At March 31, 2024 and 2023, \$5.6 billion of total debt was outstanding, of which \$50 million and \$968 million, respectively, was included under the caption "Current portion of long-term debt" in the Company's Consolidated Balance Sheets.

Public Offerings

On June 15, 2023, the Company completed a public offering of 4.90% Notes due July 15, 2028 in a principal amount of \$400 million (the “2028 Notes”) and a public offering of 5.10% Notes due July 15, 2033 in a principal amount of \$600 million (the “2033 Notes” and, together with the 2028 Notes, the “Notes”). Interest on the Notes is payable semi-annually on January 15th and July 15th of each year, commencing on January 15, 2024. Proceeds received from the issuance of the Notes, net of discounts and offering expenses, were \$397 million for the 2028 Notes and \$592 million for the 2033 Notes. The Company utilized a portion of the net proceeds from the offerings of the Notes to fund the purchase price payable with respect to the portion of the Company’s then outstanding 3.80% Notes due March 15, 2024 (the “2024 Notes”) that was validly tendered and accepted for purchase pursuant to the Concurrent Tender Offer (as defined below) and to effect the satisfaction and discharge of the remaining portion of the 2024 Notes, all of which is described further below. The remaining net proceeds from the offerings of the Notes was available for general corporate purposes.

FINANCIAL NOTES (Continued)

Concurrent Tender Offer of the 2024 Notes

On June 16, 2023, the Company completed a cash tender offer for any and all of its then outstanding 2024 Notes, which was made concurrently with the offerings of the Notes (the “Concurrent Tender Offer”). The Company paid an aggregate consideration of \$268 million in the Concurrent Tender Offer to repurchase \$271 million principal amount of the 2024 Notes at a repurchase price equal to 98.75% of the principal amount plus accrued and unpaid interest. The repurchase of the 2024 Notes accepted for purchase in the Concurrent Tender Offer was accounted for as a debt extinguishment.

Satisfaction and Discharge of the 2024 Notes

On June 16, 2023, after completing the Concurrent Tender Offer, the Company irrevocably deposited with the trustee under the indenture governing the 2024 Notes (the “2024 Notes Indenture”) U.S. government obligations in an amount sufficient to fund the payment of accrued and unpaid interest of the remaining \$647 million principal amount of the 2024 Notes as it became due, and of the principal amount of those 2024 Notes on their March 15, 2024 maturity date. The U.S. government obligations were purchased using a portion of the net proceeds from the offerings of the Notes. After the deposit of such funds with the trustee, the Company’s obligations under the 2024 Notes Indenture with respect to the 2024 Notes were satisfied and discharged and the transaction was accounted for as a debt extinguishment.

The total gain recognized on the debt extinguishments described above for the year ended March 31, 2024 was \$9 million and included within “Interest expense” in the Company’s Consolidated Statement of Operations.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)****July 2021 Tender Offer**

On July 23, 2021, the Company completed a cash tender offer for a portion of its existing outstanding (i) 2.85% Notes due 2023, (ii) 3.80% Notes due 2024, (iii) 7.65% Debentures due 2027, (iv) 3.95% Notes due 2028, (v) 4.75% Notes due 2029, (vi) 6.00% Notes due 2041, and (vii) 4.88% Notes due 2044 (collectively referred to herein as the “Tender Offer Notes”). In connection with the tender offer, the Company paid an aggregate consideration of \$1.1 billion to redeem \$922 million principal amount of the Tender Offer Notes at a redemption price equal to 100% of the principal amount and premiums of \$182 million, plus accrued and unpaid interest of \$14 million. The redemption of the Tender Offer Notes was accounted for as a debt extinguishment. As a result of the redemption, the Company incurred a pre-tax loss on debt extinguishment of \$191 million for the year ended March 31, 2022, which included premiums of \$182 million as well as the write-off of unamortized debt issuance costs and transaction fees incurred totaling \$9 million.

Other Information

Scheduled principal payments of long-term debt are \$50 million, \$1.7 billion, \$1.2 billion, \$378 million, and \$986 million for fiscal 2025 through fiscal 2029, respectively, and \$1.3 billion thereafter.

Revolving Credit Facilities

On November 7, 2022, the Company entered into a Credit Agreement (the “2022 Credit Facility”), that provides a syndicated \$4.0 billion senior unsecured credit facility with a \$3.6 billion aggregate sublimit of availability in Canadian dollars, British pound sterling, and Euro. The 2022 Credit Facility was scheduled to mature in November 2027. On November 7, 2023, the maturity date of the 2022 Credit Facility was extended from November 2027 to November 2028. The 2022 Credit Facility replaced the Company’s previous syndicated \$4.0 billion five-year senior unsecured credit facility, dated as of September 25, 2019, as amended (the “2020 Credit Facility”), which was scheduled to mature in September 2024. The 2020 Credit Facility was terminated in connection with the execution of the 2022 Credit Facility. There were no borrowings under the 2020 Credit Facility during the years ended March 31, 2023 and 2022, and no amounts outstanding at the time of its termination.

Borrowings under the 2022 Credit Facility bear interest based upon the Term Secured Overnight Financing Rate (“SOFR”) for credit extensions denominated in U.S. dollars, the Sterling Overnight Index Average Reference Rate for credit extensions denominated in British pound sterling, the Euro Interbank Offered Rate for credit extensions denominated in Euros, the Canadian Dealer Offered Rate for credit extensions denominated in Canadian dollars, a prime rate, or alternative overnight rates, as applicable, plus agreed upon margins. The 2022 Credit Facility contains various customary investment grade covenants, including a financial covenant which obligates the Company to maintain a maximum Total Debt to Consolidated EBITDA ratio, as defined in the 2022 Credit Facility. If the Company does not comply with these covenants, its ability to use the 2022 Credit Facility may be suspended and repayment of any outstanding balances under the 2022 Credit Facility may be required. At March 31, 2024, the Company was in compliance with all covenants under the 2022 Credit Facility. The 2022 Credit Facility also permits the Company to establish key performance indicators with

respect to certain sustainability targets of the Company in consultation with certain sustainability coordinators. The Company may enter into an amendment to the 2022 Credit Facility to provide for certain adjustments to the otherwise applicable facility fee and margins based on the Company's performance against any established key performance indicators. The remaining terms and conditions of the 2022 Credit Facility are substantially similar to those previously in place under the 2020 Credit Facility. The Company can use funds obtained under the 2022 Credit Facility for general corporate purposes. There were no borrowings under the 2022 Credit Facility during the years ended March 31, 2024 and 2023 and no amounts outstanding at March 31, 2024 and 2023.

2022 Term Loan Credit Facility

On November 7, 2022, the Company entered into a Credit Agreement (the "2022 Term Loan Credit Facility") pursuant to which the Company had an unsecured delayed draw term loan facility up to \$500 million which was available for borrowing for 90 days after the closing date in up to three separate borrowings. During the third quarter of fiscal 2023, the Company borrowed \$500 million under the 2022 Term Loan Credit Facility at an interest rate of three-month Term SOFR plus 110 basis points, which was payable quarterly and had an original maturity date of November 7, 2025. The funds obtained were used for general corporate purposes. In February 2023, the Company repaid all borrowings outstanding under the 2022 Term Loan Credit Facility, at which point this facility was terminated in its entirety.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)****Other Facilities**

The Company also maintained bilateral credit facilities primarily denominated in Euros with a committed amount of \$7 million and an uncommitted amount of \$111 million as of March 31, 2022, which were transferred as part of the divestiture of the E.U. disposal group in October 2022. Borrowings and repayments were not material during the years ended March 31, 2023 and 2022.

Commercial Paper

The Company maintains a commercial paper program to support its working capital requirements and for other general corporate purposes. Under the program, the Company can issue up to \$4.0 billion in outstanding commercial paper notes. During the years ended March 31, 2024, 2023, and 2022, the Company borrowed \$20.0 billion, \$8.5 billion, and \$11.2 billion, respectively, and repaid \$20.0 billion, \$8.5 billion, and \$11.2 billion, respectively, under the program. At March 31, 2024 and 2023, there were no commercial paper notes outstanding.

12. Variable Interest Entities

The Company evaluates its ownership, contractual, and other interests in entities to determine if they are VIEs if it has a variable interest in those entities, and the nature and extent of those interests. These evaluations are highly complex and involve management judgment and the use of estimates and assumptions based on available historical information, among other factors. Based on its evaluations, if the Company determines it is the primary beneficiary of such VIEs, it consolidates such entities into its financial statements.

Consolidated Variable Interest Entities

The Company consolidates a VIE when it has the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE and, as a result, is considered the primary beneficiary of the VIE. The Company consolidates certain single-lessee leasing entities where it, as the lessee, has the majority risk of the leased assets due to its minimum lease payment obligations to these leasing entities. As a result of absorbing this risk, the leases provide the Company with the power to direct the operations of the leased properties and the obligation to absorb losses or the right to receive benefits of the entity. Consolidated VIEs do not have a material impact on the Company's Consolidated Statements of Operations or Consolidated Statements of Cash Flows. Total assets and liabilities included in its Consolidated Balance Sheets for these VIEs were \$601 million and \$41 million, respectively, at March 31, 2024, and \$621 million and \$53 million, respectively, at March 31, 2023.

Investments in Unconsolidated Variable Interest Entities

The Company is involved with VIEs which it does not consolidate because it does not have the power to direct the activities that most significantly impact their economic performance and thus is not considered the primary beneficiary of the entities. Its

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

Information regarding the changes in benefit obligations and plan assets for the Company's pension plans was as follows:

(In millions)	Years Ended March 31,	
	2024	2023
Change in benefit obligations		
Benefit obligation at beginning of period ⁽¹⁾	\$ 172	\$ 701
Service cost	2	5
Interest cost	8	7
Actuarial gain	—	(65)
Benefits paid	(9)	(11)
Curtailment/settlement	—	(3)
Expenses paid	—	(1)
Divestitures ⁽²⁾	—	(408)
Foreign exchange impact and other	1	(53)
Benefit obligation at end of period ⁽¹⁾	<u>\$ 174</u>	<u>\$ 172</u>
Change in plan assets		
Fair value of plan assets at beginning of period	\$ 174	\$ 681
Actual return on plan assets	(1)	(51)
Employer and participant contributions	5	7
Benefits paid	(9)	(11)
Expenses paid	—	(1)
Settlements	—	(3)
Divestitures ⁽²⁾	—	(393)
Foreign exchange impact and other	2	(55)
Fair value of plan assets at end of period	<u>\$ 171</u>	<u>\$ 174</u>
Funded status at end of period	<u>\$ (3)</u>	<u>\$ 2</u>
Amounts recognized on the balance sheet		
Current assets	\$ —	\$ —
Long-term assets	18	24
Current liabilities	(1)	(1)
Long-term liabilities	(20)	(21)
Total	<u>\$ (3)</u>	<u>\$ 2</u>

(1) The benefit obligation is the projected benefit obligation.

- (2) Relates to the completed divestitures of the E.U. disposal group and U.K. disposal group in fiscal 2023 as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures."

There was no actuarial gain in fiscal 2024:

- Discount rates: The weighted average discount rate slightly increased to 4.55% as of March 31, 2024 from 4.54% as of March 31, 2023.
- Demographic and assumption changes: There were offsetting gains and losses in the demographic and assumption changes.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

The actuarial gain of \$65 million in fiscal 2023 was primarily attributable to:

- Discount rates (\$69 million gain): The weighted average discount rate increased to 4.54% as of March 31, 2023 from 2.67% as of March 31, 2022.
- Demographic and assumption changes (\$4 million loss): This represents the difference between actual and estimated participant data and demographic factors, including items such as inflation assumption, compensation changes, mortality, and other changes.

The following table provides the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for all the Company's pension plans, including accumulated benefit obligation in excess of plan assets:

(In millions)	March 31,	
	2024	2023
Projected benefit obligation	\$ 174	\$ 172
Accumulated benefit obligation	172	171
Fair value of plan assets	171	174

Amounts recognized in accumulated other comprehensive loss consist of:

(In millions)	March 31,	
	2024	2023
Net actuarial loss	\$ 57	\$ 49
Prior service cost	1	1
Total	\$ 58	\$ 50

Other changes in accumulated other comprehensive loss were as follows:

(In millions)	Years Ended March 31,		
	2024	2023	2022
Net actuarial (gain) loss	\$ 9	\$ (7)	\$ (32)
Prior service cost	—	1	—
Amortization of:			
Net actuarial loss	(2)	(9)	(14)
Prior service credit	—	2	1
Foreign exchange impact and other	1	(5)	(5)
Total recognized in other comprehensive (income) loss	\$ 8	\$ (18)	\$ (50)

In fiscal 2023, the Company recognized \$17 million in net actuarial losses for pension plans to stockholders' deficit as a result of the divestitures of its E.U. disposal group and U.K. disposal group. In fiscal 2022, the Company recognized \$11 million in actuarial losses for pension plans to stockholders' deficit as a result of the sale of its Austrian business. Refer to Financial Note 2, "Business Acquisitions and Divestitures," for more information on the Company's European divestiture activities.

Projected benefit obligations related to the Company's unfunded plans were \$19 million and \$18 million at March 31, 2024 and 2023, respectively. Funding obligations for its plans vary based on the laws of each jurisdiction.

Expected benefit payments for the Company's pension plans were as follows: \$8 million, \$9 million, \$10 million, \$10 million, and \$10 million for fiscal 2025 to fiscal 2029, respectively, and \$53 million for fiscal 2030 through fiscal 2034. Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service. Expected contributions to be made for the Company's pension plans are \$4 million for fiscal 2025.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

Weighted-average assumptions used to estimate the net periodic pension expense and the actuarial present value of benefit obligations were as follows:

	Years Ended March 31,		
	2024	2023	2022
Net periodic pension expense			
Discount rates	4.54 %	2.67 %	1.89 %
Rate of increase in compensation	3.21	3.67	3.20
Expected long-term rate of return on plan assets	4.05	1.63	2.56
Benefit obligation			
Discount rates	4.55 %	4.54 %	2.67 %
Rate of increase in compensation	3.21	3.21	3.67

The Company's defined benefit pension plan liabilities are valued using a discount rate based on a yield curve developed from a portfolio of high-quality corporate bonds rated AA or better whose maturities are aligned with the expected benefit payments of its plans. The Company's defined benefit pension plan liabilities are valued using a weighted-average discount rate of 4.55%, which represents an increase of one basis point from its fiscal 2023 weighted-average discount rate of 4.54%.

Plan Assets

Investment Strategy: For plan assets, the investment strategies are subject to local regulations and the asset/liability profiles of the plans in each individual country. Plan assets are broadly invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the plans. Plan assets are primarily invested in high-quality corporate and government bond funds and equity securities. Assets are properly diversified to avoid excessive reliance on any particular asset, issuer, or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

The Company develops the expected long-term rate of return assumption based on the projected performance of the asset classes in which plan assets are invested. The target asset allocation was determined based on the liability and risk tolerance characteristics of the plans and at times may be adjusted to achieve overall investment objectives.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Fair Value Measurements: The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on unadjusted quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 includes fair values estimated using significant unobservable inputs. The following tables represent the Company's plan assets as of March 31, 2024 and 2023, using the fair value hierarchy by asset class:

(In millions)	March 31, 2024				March 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 7	\$ —	\$ —	\$ 7	\$ 7	\$ —	\$ —	\$ 7
Equity securities:								
Equity commingled funds	—	20	—	20	—	18	—	18
Fixed income securities:								
Government securities	—	4	—	4	—	—	—	—
Corporate bonds	—	4	—	4	—	—	—	—
Fixed income commingled funds	—	—	—	—	—	7	—	7
Other:								
Annuity contracts	—	—	103	103	—	—	110	110
Real estate funds and other	—	3	—	3	—	2	—	2
Total	\$ 7	\$ 31	\$ 103	\$ 141	\$ 7	\$ 27	\$ 110	\$ 144
Assets held at NAV practical expedient (1):								
Other				30				30
Total plan assets				\$ 171				\$ 174

(1) Equity commingled funds, fixed income commingled funds, real estate funds, and other investments for which fair value is measured using the NAV per share as a practical expedient are not leveled within the fair value hierarchy and are included as a reconciling item to total investments.

Cash and cash equivalents - Cash and cash equivalents include short-term investment funds that maintain daily liquidity and aim to have constant unit values of \$1.00. The funds invest in short-term fixed income securities and other securities with debt-like characteristics emphasizing short-term maturities and high credit quality. Directly held cash and cash equivalents are classified as Level 1 investments. Cash and cash equivalents include money market funds and other commingled funds, which have daily net asset values derived from the underlying securities; these are classified as Level 1 investments.

Equity commingled funds - Some equity investments are held in commingled funds, which have daily net asset values derived from quoted prices for the underlying securities in active markets; these are classified as Level 1 or Level 2 investments.

Fixed income securities - Government securities consist of bonds and debentures issued by central governments or federal agencies; corporate bonds consist of bonds and debentures issued by corporations. Inputs to the valuation methodology include quoted prices for similar assets in active markets, and inputs that are observable for the asset, either directly or indirectly, for substantially the full term of the asset. Multiple prices and price types are obtained from pricing vendors whenever possible, enabling cross-provider price validations. Fixed income securities are generally classified as Level 1 or Level 2 investments.

Fixed income commingled funds - Some fixed income investments are held in exchange traded or commingled funds, which have daily net asset values derived from the underlying securities; these are classified as Level 1, 2, or 3 investments.

Annuity contracts - The value of the annuity contracts is reported by the Trustee and is based on a valuation of the remaining contracted cash flow of the contract. Inputs in the valuation include discounted future cash flows; these are classified as Level 3 investments.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

Real estate funds - The value of the real estate funds is reported by the fund manager and is based on a valuation of the underlying properties. Inputs used in the valuation include items such as cost, discounted future cash flows, independent appraisals, and market based comparable data. The real estate funds are classified as Level 1, 2, or 3 investments.

Other - At March 31, 2024 and 2023, this includes \$30 million of plan asset value relating to the SPK. In principle, the SPK is organized as a pay-as-you-go system guaranteed by the Norwegian government as it holds no Company-owned assets to back the pension liabilities. The Company pays a pension premium used to fund the plan, which is paid directly to the Norwegian government who establishes an account for each participating employer to keep track of the financial status of the plan, including managing the contributions and the payments. Further, the investment return credited to this account is determined annually by the SPK based on the performance of long-term government bonds.

The following table presents the changes in the Level 3 plan assets measured on a recurring basis for the years ended March 31, 2024 and 2023:

(In millions)	Level 3
Balance, March 31, 2022	\$ 175
Return on assets	(65)
Balance, March 31, 2023	\$ 110
Return on assets	(7)
Balance, March 31, 2024	\$ 103

Multiemployer Plans

The Company contributes to a number of multiemployer pension plans under the terms of collective-bargaining agreements that cover union-represented employees in the U.S. In 2017, it also contributed to the Pensjonsordningen for Apoteketaten ("POA"), a mandatory multiemployer pension scheme for its pharmacy employees in Norway, managed by the association of Norwegian Pharmacies.

The risks of participating in these multiemployer plans are different from single-employer pension plans in the following aspects: (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (iii) if the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Actions taken by other participating employers may lead to adverse changes in the financial condition of a multiemployer benefit plan and the Company's withdrawal liability and contributions may increase.

Contributions and amounts accrued for U.S. multiemployer pension plans were not material for the years ended March 31, 2024, 2023, and 2022. Contributions to the POA for

non-U.S. plans exceeding 5% of total plan contributions were \$23 million, \$19 million, and \$20 million for the years ended March 31, 2024, 2023, and 2022, respectively. Based on actuarial calculations, the Company estimates the funded status for its non-U.S. Plans to be approximately 79% as of March 31, 2024. No amounts were accrued for a liability associated with the POA as the Company has no intention to withdraw from the plan.

Defined Contribution Plans

The Company has a contributory retirement savings plan (“RSP”) for U.S. eligible employees. Eligible employees may contribute to the RSP up to 75% of their eligible compensation on a pre-tax or post-tax basis not to exceed IRS limits. The Company makes matching contributions in an amount equal to 100% of the employee’s first 3% of pay contributed and 50% for the next 2% of pay contributed. The Company, at the discretion of its Board of Directors (the “Board”), may also make an additional annual matching contribution for each plan year to enable participants to receive a full match based on their annual contribution. The Company also contributed to non-U.S. plans that are available in certain countries. Contribution expenses for the RSP and non-U.S. plans were \$138 million, \$125 million, and \$116 million for the years ended March 31, 2024, 2023, and 2022, respectively.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)****Postretirement Benefits**

The Company maintains a number of postretirement benefit plans, primarily consisting of healthcare and life insurance (“welfare”) benefits, for certain eligible U.S. employees. Eligible employees consist of those who retired before March 31, 1999 and those who retired after March 31, 1999, but were an active employee as of that date, after meeting other age-related criteria. It also provides postretirement benefits for certain U.S. executives. Defined benefit plan obligations are measured as of the Company’s fiscal year-end. The net periodic credit or expense for the Company’s postretirement welfare benefits was not material for the years ended March 31, 2024, 2023, and 2022. The benefit obligation at March 31, 2024 and 2023 was \$42 million and \$45 million, respectively.

14. Hedging Activities

In the normal course of business, the Company is exposed to interest rate and foreign currency exchange rate fluctuations. At times, the Company limits these risks through the use of derivatives as described below. In accordance with the Company’s policy, derivatives are only used for hedging purposes. The Company does not use derivatives for trading or speculative purposes. The Company uses various counterparties for its derivative contracts to minimize the exposure to credit risk but does not anticipate non-performance by these parties.

Foreign Currency Exchange Risk

The Company conducts its business worldwide in U.S. dollars and the functional currencies of its foreign subsidiaries, including Canadian dollars, Euro, and British pounds sterling. Changes in foreign currency exchange rates could have a material adverse impact on the Company’s financial results that are reported in U.S. dollars. The Company is also exposed to foreign currency exchange rate risk related to its foreign subsidiaries, including intercompany loans denominated in non-functional currencies. The Company has certain foreign currency exchange rate risk programs that use foreign currency forward contracts and cross-currency swaps. These forward contracts and cross-currency swaps are generally used to offset the potential income statement effects from intercompany loans and other obligations denominated in non-functional currencies. These programs reduce but do not entirely eliminate foreign currency exchange rate risk.

Interest Rate Risk

The Company has exposure to changes in interest rates, and it utilizes risk programs which use interest rate swaps to hedge the changes in debt fair values caused by fluctuations in benchmark interest rates. The Company also enters into forward contracts to hedge the variability of future benchmark interest rates on any planned bond issuances. These programs reduce but do not entirely eliminate interest rate risk.

Non-Derivative Instruments Designated as Hedges

Prior to the divestiture of the E.U. disposal group, the Company’s €1.1 billion of Euro-denominated notes were designated as non-derivative net investment hedges. These hedges

were utilized to hedge portions of the Company's net investments in non-U.S. subsidiaries against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar. For all notes that were designated as net investment hedges and met effectiveness requirements, the changes in carrying value of the notes attributable to the change in spot rates were recorded as foreign currency translation adjustments in "Accumulated other comprehensive loss" in the Consolidated Statements of Stockholders' Equity (Deficit) where they offset foreign currency translation gains and losses recorded on the Company's net investments. To the extent foreign currency-denominated notes designated as net investment hedges were ineffective, changes in carrying value attributable to the change in spot rates were recorded in earnings.

In connection with the sale of the E.U. disposal group in October 2022, the Company reclassified \$112 million of gains from accumulated other comprehensive loss to "Selling, distribution, general, and administrative expenses" in the Consolidated Statement of Operations for the year ended March 31, 2023. This amount related to the €1.1 billion of Euro-denominated notes described above which were de-designated as net investment hedges, along with certain other Euro-denominated notes which were previously accounted for as net investment hedges and matured in prior periods, and was included in the fiscal 2023 and fiscal 2022 calculations of charges to remeasure the assets and liabilities of the disposal group to fair value less costs to sell.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

In connection with the sale of the U.K. disposal group in April 2022, the Company reclassified \$26 million of gains from accumulated other comprehensive loss to “Selling, distribution, general, and administrative expenses” in the Consolidated Statement of Operations for the year ended March 31, 2023. This amount related to the Company’s £450 million of British pound sterling-denominated notes, which were previously accounted for as net investment hedges until de-designated in fiscal 2020, and was included in the fiscal 2022 calculation of charges to remeasure the assets and liabilities of the disposal group to fair value less costs to sell.

Foreign currency gains (losses) from non-derivative instruments included in other comprehensive income in the Consolidated Statements of Comprehensive Income were as follows:

(In millions)	Years Ended March 31,		
	2024	2023	2022
Non-derivatives designated as net investment hedges: ⁽¹⁾			
Euro-denominated notes ⁽²⁾	\$ —	\$ 7	\$ 73

(1) There was no ineffectiveness in these hedges for the years ended March 31, 2023 and 2022.

(2) Includes amounts reclassified to earnings of \$112 million for the year ended March 31, 2023.

Derivative Instruments

At March 31, 2024 and 2023, the notional amounts of the Company’s outstanding derivatives were as follows:

			March 31, 2024		March 31, 2023	
(In millions)	Currency	Maturity Date ⁽¹⁾	Notional			
Derivatives designated as net investment hedges: ⁽²⁾						
Cross-currency swaps ⁽³⁾	CAD	Nov-24 to Mar-25	C\$	1,500	C\$	1,500
Derivatives designated as fair value hedges: ⁽²⁾						
Cross-currency swaps ⁽⁴⁾	GBP	Nov-28	£	450	£	450
Cross-currency swaps ⁽⁴⁾	EUR	Aug-25 to Jul-26	€	1,100	€	1,100
Floating interest rate swaps ⁽⁵⁾	USD	Feb-26 to Sep-29	\$	1,250	\$	1,250
Derivatives designated as cash flow hedges: ⁽²⁾						
Cross-currency swaps ⁽³⁾	CAD	Jan-24	C\$	—	C\$	400
Foreign currency forwards ⁽⁶⁾	GBP	Apr-24 to Jul-25	£	39	£	—
Fixed interest rate swaps ⁽⁷⁾	USD	Jun-23	\$	—	\$	450

(1) The maturity date reflected is for outstanding derivatives as of March 31, 2024.

(2) There was no ineffectiveness in these hedges for the years ended March 31, 2024, 2023, and 2022.

(3) The Company agreed with third parties to exchange fixed interest payments in one currency for fixed interest payments in another currency at specified intervals and to exchange principal in one currency for principal in another currency, calculated by reference to agreed-upon notional amounts.

(4) Represents cross-currency fixed-to-fixed interest rate swaps to mitigate the foreign currency exchange fluctuations on its foreign currency-denominated notes.

(5) Represents fixed-to-floating interest rate swaps to hedge the changes in fair value caused by fluctuations in the benchmark interest rates.

(6) The Company entered into agreements with financial institutions to hedge the variability of foreign currency exchange fluctuations in future cash payments due to a third party in the United Kingdom for capital expenditures.

(7) The Company entered into agreements with financial institutions to lock in the fixed benchmark interest rate for a future bond issuance, which were terminated during the first quarter of fiscal 2024 as discussed further below.

and the amount amortized into earnings during the period is recorded in other comprehensive income (loss).

Cash Flow Hedges

From time to time, the Company enters into cross-currency swaps to hedge intercompany loans denominated in non-functional currencies to reduce the income statement effects arising from fluctuations in foreign currency exchange rates. The Company also enters into forward contracts to hedge the variability of future benchmark interest rates on any planned bond issuances and to offset the potential income statement effects from obligations denominated in non-functional currencies. The effective portion of changes in the fair value of these hedges is recorded in accumulated other comprehensive loss and reclassified into earnings in the same period in which the hedged transaction affects earnings. Changes in fair values representing hedge ineffectiveness are recognized in current earnings. Gains or losses reclassified from accumulated other comprehensive loss and recorded in "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations were not material for the years ended March 31, 2024, 2023, and 2022.

In the third quarter of fiscal 2024, the Company entered into foreign currency forward contracts designated as cash flow hedges with a total notional amount of £45 million to hedge the variability of foreign currency exchange fluctuations in future cash payments due to a third party for capital expenditures, and certain of these contracts matured in the fourth quarter of fiscal 2024.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

In fiscal 2023, the Company entered into forward-starting fixed interest rate swaps designated as cash flow hedges, with a combined notional amount of \$450 million, and in the first quarter of fiscal 2024 with a notional amount of \$50 million, to hedge the variability of future benchmark interest rates on a planned bond issuance. On June 15, 2023, the Company completed a public offering of the 2033 Notes, at which point the \$500 million cash flow hedges were terminated and the proceeds are being amortized to interest expense over the life of the 2033 Notes, or 10 years. Refer to Financial Note 11, "Debt and Financing Activities," for additional information on the public offering of the 2033 Notes.

In fiscal 2023, the Company also terminated its \$500 million notional forward starting fixed interest rate swaps and recognized a gain of \$97 million within "Other income, net" in the Consolidated Statement of Operations.

Derivatives Not Designated as Hedges

Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the change in fair value included in earnings. Prior to the divestitures of the E.U. disposal group and U.K. disposal group, the Company had entered into forward contracts to hedge the Euro against cash flows denominated in British pound sterling and other European currencies. Changes in the fair values for contracts not designated as hedges were recorded directly into earnings in "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations. Changes in the fair values were not material for the year ended March 31, 2022, and there were no outstanding derivative instruments not designated as hedges as of March 31, 2022. The Company did not enter into any derivative instruments not designated as hedges during fiscal 2024 and fiscal 2023.

Other Information on Derivative Instruments

Gains (losses) from derivatives included in other comprehensive income in the Consolidated Statements of Comprehensive Income were as follows:

(In millions)	Years Ended March 31,		
	2024	2023	2022
Derivatives designated as net investment hedges:			
Cross-currency swaps	\$ 3	\$ 28	\$ (4)
Derivatives designated as cash flow and other hedges:			
Cross-currency swaps ⁽¹⁾	\$ 39	\$ (54)	\$ (18)
Fixed interest rate swaps	14	(30)	39

(1) Includes other comprehensive income related to the excluded component of certain fair value hedges.

McKESSON CORPORATION
FINANCIAL NOTES (Continued)

Information regarding the fair value of derivatives on a gross basis were as follows:

!!

Refer to Financial Note 15, "Fair Value Measurements," for more information on these recurring fair value measurements.

15. Fair Value Measurements

The Company measures certain assets and liabilities at fair value in accordance with ASC Topic 820, Fair Value Measurements and Disclosures. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities.

Level 2 - significant other observable market-based inputs.

Level 3 - significant unobservable inputs for which little or no market data exists and requires considerable assumptions that are significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Cash and cash equivalents at March 31, 2024 and 2023 included investments in money market funds of \$705 million and \$1.4 billion, respectively, which are reported at fair value. The fair value of money market funds was determined using quoted prices for identical investments in active markets, which are considered to be Level 1 inputs under the fair value measurements and disclosure guidance. The carrying value of all other cash equivalents approximates their fair value due to their relatively short-term nature.

Fair values of the Company's interest rate swaps, cross-currency swaps, and foreign currency forward contracts were determined using observable inputs from available market information, including quoted interest rates, foreign currency exchange rates, and other observable inputs from available market information. These inputs are considered Level 2 under the fair value measurements and disclosure guidance, and may not be representative of actual values that could have been realized or that will be realized in the future. Refer to Financial Note 14, "Hedging Activities," for fair values and other information on the Company's derivatives.

FINANCIAL NOTES (Continued)

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

At March 31, 2024 and 2023, the contingent consideration liability related to the Company's acquisition of RxSS in November 2022 was measured at fair value on a nonrecurring basis. At March 31, 2022, the assets and liabilities associated with the E.U. disposal group and U.K. disposal group classified as held for sale were measured at the lower of carrying value or fair value less costs to sell. The E.U. disposal group was divested in October 2022 and the U.K. disposal group was divested in April 2022. Refer to Financial Note 2, "Business Acquisitions and Divestitures" for more information on these transactions. Additionally, at March 31, 2022, assets measured at fair value on a nonrecurring basis included certain long-lived assets within the International segment related to the Company's previous operations in Denmark and its retail pharmacy businesses in Canada, as discussed in Financial Note 3, "Restructuring, Impairment, and Related Charges, Net."

The aforementioned investments in equity securities of U.S. growth stage companies include the carrying value of investments without readily determinable fair values, which were determined using a measurement alternative and are recorded at cost less impairment, plus or minus any changes in observable price from orderly transactions of the same or similar security of the same issuer. These inputs related to changes in observable price are considered Level 2 under the fair value measurements and disclosure

future. Inputs related to impairments of investments are generally considered Level 3 fair value measurements due to their inherently unobservable nature based on significant assumptions by management and use of company-specific information.

There were no other material assets or liabilities measured at fair value on a nonrecurring basis at March 31, 2024 and 2023.

Other Fair Value Disclosures

At March 31, 2024 and 2023, the carrying amounts of cash, certain cash equivalents, restricted cash, receivables, drafts and accounts payable, and other current liabilities approximated their estimated fair values because of the short-term maturity of these financial instruments.

The Company determines the fair value of commercial paper using quoted prices in active markets for identical instruments, which are considered Level 1 inputs under the fair value measurements and disclosure guidance.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

The Company's long-term debt is recorded at amortized cost. The carrying value and fair value of the Company's long-term debt was as follows:

(In millions)	March 31, 2024		March 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	\$ 5,629	\$ 5,488	\$ 5,594	\$ 5,386

The estimated fair value of the Company's long-term debt was determined using quoted market prices in a less active market and other observable inputs from available market information, which are considered to be Level 2 inputs, and may not be representative of actual values that could have been realized or that will be realized in the future.

Goodwill

Fair value assessments of the reporting unit and the reporting unit's net assets, which are performed for goodwill impairment tests, are considered a Level 3 measurement due to the significance of unobservable inputs developed using company-specific information. The Company considered a market approach as well as an income approach using a DCF model to determine the fair value of each reporting unit.

Long-lived Assets

The Company utilizes multiple approaches including the DCF model and market approaches for estimating the fair value of intangible assets. The future cash flows used in the analysis are based on internal cash flow projections from its long-range plans and include significant assumptions by management. Accordingly, the fair value assessment of long-lived assets is considered a Level 3 fair value measurement.

The Company measures certain long-lived and intangible assets at fair value on a nonrecurring basis when events occur that indicate an asset group may not be recoverable. If the carrying amount of an asset group is not recoverable, an impairment charge is recorded to reduce the carrying amount by the excess over its fair value. Refer to Financial Note 3, "Restructuring, Impairment, and Related Charges, Net" under the heading "Long-Lived Asset Impairments" for more information.

16. Financial Guarantees and Warranties**Financial Guarantees**

The Company has agreements with certain of its customers' financial institutions, primarily in its International segment, under which it has guaranteed the repurchase of its customers' inventory or its customers' debt in the event these customers are unable to meet their obligations to those financial institutions. For the Company's inventory repurchase agreements, among other requirements, inventories must be in a resalable condition and any repurchase would be at a discount. The inventory repurchase agreements mostly relate to

certain Canadian customers and generally range from one to two years. Customers' debt guarantees generally range from three to five years and are primarily provided to facilitate financing for certain customers. The majority of the Company's customers' debt guarantees are secured by certain assets of the customer. At March 31, 2024, the maximum amounts of inventory repurchase guarantees and customers' debt guarantees were \$337 million and \$11 million, respectively, of which the Company has not accrued any amounts. The expirations of these financial guarantees were as follows: \$106 million, \$212 million, \$8 million, \$7 million, and \$3 million from fiscal 2025 through fiscal 2029, respectively, and \$12 million thereafter.

At March 31, 2024, the Company's banks and insurance companies have issued \$211 million of standby letters of credit and surety bonds, which were issued on the Company's behalf primarily related to its customer contracts and in order to meet the security requirements for statutory licenses and permits, court and fiduciary obligations, pension obligations in Europe, and its workers' compensation and automotive liability programs.

The Company's software license agreements generally include certain provisions for indemnifying customers against liabilities if its software products infringe a third party's intellectual property rights. To date, the Company has not incurred any material costs as a result of such indemnification agreements and has not accrued any liabilities related to such obligations.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

In conjunction with certain transactions, primarily divestitures, the Company may provide routine indemnification agreements (such as retention of previously existing environmental, tax, and employee liabilities) whose terms vary in duration and often are not explicitly defined. Where appropriate, obligations for such indemnifications are recorded as liabilities. Because the amounts of these indemnification obligations often are not explicitly stated, the overall maximum amount of these commitments cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, the Company has historically not made material payments as a result of these indemnification provisions.

Warranties

In the normal course of business, the Company provides certain warranties and indemnification protection for its products and services. For example, the Company provides warranties that the pharmaceutical and medical-surgical products it distributes are in compliance with the U.S. Food, Drug, and Cosmetic Act and other applicable laws and regulations. It has received the same warranties from its suppliers, which customarily are the manufacturers of the products. In addition, the Company has indemnity obligations to its customers for these products, which have also been provided from its suppliers, either through express agreement or by operation of law. Accrued warranty costs were not material to the Consolidated Balance Sheets as of March 31, 2024 and 2023.

17. Commitments and Contingent Liabilities

In addition to commitments and obligations incurred in the ordinary course of business, the Company is subject to a variety of claims and legal proceedings, including claims from customers and vendors, pending and potential legal actions for damages, governmental investigations, and other matters. The Company is vigorously defending itself against those claims and in those proceedings. Significant developments in those matters are described below. If the Company is unsuccessful in defending, or if it determines to settle, any of these matters, it may be required to pay substantial sums, be subject to injunction and/or be forced to change how it operates its business, which could have a material adverse impact on its financial position or results of operations.

Unless otherwise stated, the Company is unable to reasonably estimate the loss or a range of possible loss for the matters described below. Often, the Company is unable to determine that a loss is probable, or to reasonably estimate the amount of loss or a range of loss, for a claim because of the limited information available and the potential effects of future events and decisions by third parties, such as courts and regulators, that will determine the ultimate resolution of the claim. Many of the matters described are at preliminary stages, raise novel theories of liability, or seek an indeterminate amount of damages. It is not uncommon for claims to remain unresolved over many years. The Company reviews loss contingencies at least quarterly to determine whether the likelihood of loss has changed and whether it can make a reasonable estimate of the loss or range of loss. When the Company determines that a loss from a claim is probable and reasonably estimable, it records a liability for an estimated amount. The Company also provides disclosure when it is reasonably possible that a loss may be incurred or when it is reasonably possible that the amount of a loss will exceed its recorded liability. Amounts included within

“Claims and litigation charges, net” in the Consolidated Statements of Operations consist of estimated loss contingencies related to opioid-related litigation matters, as well as any applicable income items or credit adjustments due to subsequent changes in estimates.

I. Litigation and Claims Involving Distribution of Controlled Substances

The Company and its affiliates have been sued as defendants in many cases asserting claims related to distribution of controlled substances. They have been named as defendants along with other pharmaceutical wholesale distributors, pharmaceutical manufacturers, and retail pharmacies. The plaintiffs in these actions have included state attorneys general, county and municipal governments, school districts, tribal nations, hospitals, health and welfare funds, third-party payors, and individuals. These actions have been filed in state and federal courts throughout the U.S., and in Puerto Rico and Canada. They have sought monetary damages and other forms of relief based on a variety of causes of action, including negligence, public nuisance, unjust enrichment, and civil conspiracy, as well as alleging violations of the Racketeer Influenced and Corrupt Organizations Act (“RICO”), state and federal controlled substances laws, and other statutes. Because of the many uncertainties associated with opioid-related litigation matters, the Company is not able to conclude that a liability is probable or provide a reasonable estimate for the range of ultimate possible loss for opioid-related litigation matters other than those for which an accrual is described below.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

State and Local Government Claims

The Company and two other national pharmaceutical distributors (collectively “Distributors”) entered into a settlement agreement (the “Settlement”) and consent judgment with 48 states and their participating subdivisions, as well as the District of Columbia and all eligible territories (the “Settling Governmental Entities”). Approximately 2,300 cases have been dismissed. The Distributors did not admit liability or wrongdoing and do not waive any defenses pursuant to the Settlement. Under the Settlement, the Company has paid the Settling Governmental Entities approximately \$1.5 billion as of March 31, 2024, and additionally will pay the Settling Governmental Entities up to approximately \$6.3 billion through 2038. A minimum of 85% of the Settlement payments must be used by state and local governmental entities to remediate the opioid epidemic, while the remainder relates to plaintiffs’ attorneys’ fees and costs and will be paid out through 2030. Pursuant to the Settlement, the Distributors are in the process of establishing a clearinghouse to consolidate their controlled-substance distribution data, which will be available to the settling U.S. states to use as part of their anti-diversion efforts.

Alabama and West Virginia did not participate in the Settlement. Under a separate settlement agreement with Alabama and its subdivisions, the Company has paid approximately \$61 million as of March 31, 2024, and additionally will pay approximately \$113 million through 2031. The Company previously settled with the state of West Virginia in 2018, so West Virginia and its subdivisions were not eligible to participate in the Settlement. Under a separate settlement agreement, the Company has paid certain West Virginia subdivisions approximately \$53 million as of March 31, 2024, and additionally will pay approximately \$99 million through 2033. That agreement does not include school districts or the claims of Cabell County and the City of Huntington. After a trial, the claims of Cabell County and the City of Huntington, were decided in the Company’s favor on July 4, 2022. Those subdivisions appealed that decision.

Some other state and local governmental subdivisions did not participate in the Settlement, including certain municipal governments, government hospitals, school districts, and government-affiliated third-party payors. The Company contends that those subdivisions’ claims are foreclosed by the Settlement or other dispositive defenses, but the subdivisions contend that their claims are not foreclosed. The City of Baltimore, Maryland, is one such subdivision, and a trial of its claims is scheduled to begin September 26, 2024. The district attorneys of the City of Philadelphia, Pennsylvania, and Allegheny County, Pennsylvania did not participate in the settlement and sought to bring separate claims against the Company, notwithstanding the settlement with the state of Pennsylvania and its attorney general. On January 26, 2024, the Commonwealth Court of Pennsylvania ruled that the Pennsylvania attorney general had settled and fully released the claims brought by those district attorneys under Pennsylvania’s Unfair Trade Practices and Consumer Protection Law. The district attorneys have appealed that decision to the Supreme Court of Pennsylvania. An accrual for the remaining governmental subdivision claims is reflected in the total estimated liability for opioid-related claims in a manner consistent with how Settlement amounts were allocated to Settling Governmental Entities.

Native American Tribe Claims

The Company also entered into settlement agreements for opioid-related claims of federally recognized Native American tribes. Under those agreements, the Company has paid the settling Native American tribes approximately \$84 million as of March 31, 2024, and additionally will pay approximately \$112 million through 2027. A minimum of 85% of the total settlement payments must be used by the settling Native American tribes to remediate the opioid epidemic.

Non-Governmental Plaintiff Claims

The Company is also a defendant in approximately 400 opioid-related cases brought in the U.S. by private plaintiffs, such as hospitals, health and welfare funds, third-party payors, and individuals. These claims, and those of private entities generally, are not included in the settlement agreements described above.

One such case was brought by a group of individual plaintiffs in Glynn County, Georgia Superior Court seeking to recover for damages allegedly arising from their family members' abuse of prescription opioids. *Poppell v. Cardinal Health, Inc.*, CE19-00472. On March 1, 2023, the jury in that case returned a verdict in favor of the defendants, including the Company. Plaintiffs have appealed.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

The Company and two other national distributors are engaged in ongoing settlement discussions with representatives of nationwide groups of acute care hospitals and certain third-party payors. For the year ended March 31, 2024, the Company recorded a charge of \$149 million within "Claims and litigation charges, net" in the Consolidated Statement of Operations to reflect its portion of a proposed settlement with a nationwide class of acute care hospitals, and the corresponding liability was included within "Other accrued liabilities" in the Consolidated Balance Sheet. The mediator proposed settlement is subject to, among other things, agreement on final settlement terms, Board approval, court approval, and sufficient participation by hospitals. The trial for one of those acute care hospital cases, Fort Payne Hospital Corporation et al. v. McKesson Corp., CV-2021-900016, has been stayed as to the Company. With respect to the third party payors, the Company has been engaged in settlement discussions with representatives of a nationwide group of certain third-party payors. Those negotiations include a proposal by the mediator for the Company to pay up to \$114 million to resolve the claims of a nationwide class of certain third-party payors. Because of the many uncertainties, including the need to negotiate non-financial settlement terms, the Company has not determined a liability is probable. The claims of remaining U.S. non-governmental plaintiffs are not included in the charge recorded by the Company.

The Company's estimated accrued liability for the opioid-related claims of U.S. governmental entities, including Native American tribes, and certain non-governmental plaintiffs, including a proposed settlement with a nationwide class of acute care hospitals, was as follows:

(In millions)	March 31, 2024	March 31, 2023
Current litigation liabilities ⁽¹⁾	\$ 665	\$ 548
Long-term litigation liabilities	6,113	6,625
Total litigation liabilities	\$ 6,778	\$ 7,173

(1) These amounts, recorded in "Other accrued liabilities" in the Consolidated Balance Sheets, are the amounts estimated to be paid within the next twelve months following each respective period end date.

During the year ended March 31, 2024, 2023, and 2022, the Company made payments totaling \$544 million, \$1.1 billion, and \$74 million, respectively, associated with the Settlement and the separate settlement agreements for opioid-related claims of participating states, subdivisions, and Native American tribes discussed above.

Canadian Plaintiff Claims

The Company and its Canadian affiliate are also defendants in four opioid-related cases pending in Canada. These cases involve the claims of the provincial governments, municipal governments, a group representing indigenous people, as well as one case brought by an individual.

Defense of Opioids Claims

The Company believes it has valid legal defenses in all opioid-related matters, including claims not covered by settlement agreements, and it intends to mount a vigorous defense in such matters. Other than the settlement agreements and the U.S. governmental subdivision claims described above, the Company has not concluded a loss is probable in any of the matters; nor is any possible loss or range of loss reasonably estimable. An adverse judgment or negotiated resolution in any of these matters could have a material adverse impact on the Company's financial position, cash flows or liquidity, or results of operations.

Qui Tam Litigation

On August 8, 2018, the Company was served with a qui tam complaint pending in the United States District Court for the District of Massachusetts alleging that the Company violated the federal False Claims Act and various state false claims acts due to the alleged failure of the Company and other defendants to report providers who were engaged in diversion of controlled substances. *United States ex rel. Manchester v. Purdue Pharma, L.P., et al.*, Case No. 1-16-cv-10947. On August 22, 2018, the United States filed a motion to dismiss. The relator died, and on February 25, 2019 the court entered an order staying the matter until a proper party can be substituted, and providing that if no party is substituted within 90 days of February 25, 2019, the case would be dismissed. In April 2019, the widow of the relator filed a motion to substitute their daughter as the relator; the United States and defendants opposed this substitution request. The motion remains pending and the case remains stayed.

FINANCIAL NOTES (Continued)

On December 30, 2019, a group of independent pharmacies and a hospital filed a purported class action complaint alleging that the Company and other distributors violated the Sherman Act by colluding with manufacturers to restrain trade in the sale of generic drugs. *Reliable Pharmacy, et al. v. Actavis Holdco US, et al.*, No. 2:19-cv-6044; MDL No. 16-MD-2724. The complaint seeks relief including treble damages, disgorgement, attorney fees, and costs in unspecified amounts. On May 25, 2022, the district court granted distributor

defendants' motion to dismiss the complaint, but granted the plaintiffs leave to amend the complaint. Plaintiffs filed an amended complaint on July 1, 2022.

In July 2015, The Great Atlantic & Pacific Tea Company ("A&P"), a former customer of the Company, filed for reorganization in bankruptcy under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court for the Southern District of New York. In re The Great Atlantic & Pacific Tea Company, Inc., et al., Case No. 15-23007. A suit filed in 2017 against the Company in this bankruptcy case seeks to recover alleged preferential transfers. The Official Committee of Unsecured Creditors on behalf of the bankruptcy estate of The Great Atlantic & Pacific Tea Company, Inc., et al. v. McKesson Corporation d/b/a McKesson Drug Co., Adv. Proc. No. 17-08264. Trial is scheduled to begin July 12, 2024.

In July 2020, the Company was served with a first amended qui tam complaint filed in the United States District Court for the Southern District of New York by a relator on behalf of the United States, 27 states and the District of Columbia against McKesson Corporation, McKesson Specialty Distribution LLC, and McKesson Specialty Care Distribution Corporation, alleging that defendants violated the Anti-Kickback Statute, federal False Claims Act, and various state false claims statutes by providing certain business analytical tools to oncology practice customers, United States ex rel. Hart v. McKesson Corporation, et al., 15-cv-00903-RA. The United States and the named states have declined to intervene in the case. The complaint seeks relief including damages, treble damages, civil penalties, attorney fees, and costs of suit, all in unspecified amounts. The relator filed the second amended complaint on June 7, 2022, which was dismissed by the district court on March 28, 2023. On March 12, 2024, the U.S. Court of Appeals for the Second Circuit affirmed the dismissal of claims under the Anti-Kickback Statute and federal False Claims Act, vacated the dismissal of the remaining claims, and remanded for further proceedings.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)****III. Government Subpoenas and Investigations**

From time to time, the Company receives subpoenas or requests for information from various government agencies. The Company generally responds to such subpoenas and requests in a cooperative, thorough, and timely manner. These responses sometimes require time and effort and can result in considerable costs being incurred by the Company. Such subpoenas and requests can lead to the assertion of claims or the commencement of civil or criminal legal proceedings against the Company and other members of the health care industry, as well as to settlements of claims against the Company. The Company responds to these requests in the ordinary course of business. The following are examples of the type of subpoenas or requests the Company receives from time to time.

In January 2020, the United States Attorney's Office for the District of Massachusetts served a Civil Investigative Demand on the Company seeking documents related to certain discounts and rebates paid to physician practice customers.

On May 19, 2021, the Norwegian Competition Authority carried out an inspection of Norsk Medisinaldepot AS regarding its and its competitors alleged sharing of competitively sensitive information.

IV. State Opioid Statutes

In April 2018, the State of New York Opioid Stewardship Act ("OSA") imposed an aggregate \$100 million annual surcharge for 2017 and 2018 on all manufacturers and distributors licensed to sell or distribute opioids in New York. In December 2021, the Company paid \$26 million for the 2017 OSA surcharge assessment. On May 18, 2022, the Company filed a lawsuit in New York state court challenging the constitutionality of the OSA. In November 2022, the Company received a 2018 OSA surcharge assessment of approximately \$42 million. On December 14, 2022, the state court ruled that the OSA is constitutional. The Company has paid \$42 million for the 2018 OSA surcharge assessment. The Company's OSA challenge is pending before the New York Supreme Court Appellate Division. The Company reserves its rights and intends to vigorously challenge the OSA and the OSA surcharge assessments.

V. Environmental Matters

Primarily as a result of the operation of the Company's former chemical businesses, which were fully divested by 1987, the Company is involved in various matters pursuant to environmental laws and regulations. The Company has received claims and demands from governmental agencies relating to investigative and remedial actions purportedly required to address environmental conditions alleged to exist at four sites where it, or entities acquired by it, formerly conducted operations and the Company, by administrative order or otherwise, has agreed to take certain actions at those sites, including soil and groundwater remediation.

Based on a determination by the Company's environmental staff, in consultation with outside environmental specialists and counsel, the current estimate of the Company's probable loss associated with the remediation costs for these four sites is \$26 million, net of

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

The Company has been designated as a Potentially Responsible Party (“PRP”) under the Superfund law for environmental assessment and cleanup costs as the result of its alleged disposal of hazardous substances at 14 sites. With respect to these sites, numerous other PRPs have similarly been designated and while the current state of the law potentially imposes joint and several liabilities upon PRPs, as a practical matter, costs of these sites are typically shared with other PRPs. For one such site, the Company was one of multiple recipients of a New Jersey Department of Environmental Protection directive and a separate U.S. Environmental Protection Agency (“EPA”) directive concerning natural resources damages to the Passaic River associated with the Company’s Newark, New Jersey facility. In March 2016, the EPA selected a preferred remedy for this Lower Passaic River site with an estimated cost of approximately \$1.4 billion. In December 2022, the Company entered into a Consent Decree with the EPA that is currently pending approval by the U.S. District Court for the District of New Jersey and would require the Company to pay \$3 million, for which the Company maintained an escrow deposit as of March 31, 2024. Accordingly, the Company’s estimated probable loss at the remaining 13 sites is approximately \$29 million, which has been accrued for in the Consolidated Balance Sheet as of March 31, 2024.

VI. Value Added Tax Assessments

The Company operates in various countries outside the U.S. which collect value added taxes (“VAT”). The determination of the manner in which a VAT applies to the Company’s foreign operations is subject to varying interpretations arising from the complex nature of the tax laws. The Company has received assessments for VAT which are in various stages of appeal. The Company disagrees with these assessments and believes that it has a strong legal argument to defend its tax positions. Certain VAT assessments relate to years covered by an indemnification agreement. Due to the complex nature of the tax laws, it is not possible to estimate the outcome of these matters. However, based on currently available information, the Company believes the ultimate outcome of these matters will not have a material adverse effect on its financial position, cash flows or results of operations.

VII. Antitrust Settlements

Numerous lawsuits have been filed against certain pharmaceutical manufacturers alleging that the manufacturer, by itself or in concert with others, took improper actions to delay or prevent generic drugs from entering the market. These lawsuits are sometimes brought as class actions on behalf of those who purchased directly from pharmaceutical manufacturers. Some of these lawsuits have settled in the past with the Company receiving proceeds, including \$244 million, \$129 million, and \$46 million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively, which were included in “Cost of sales” in the Consolidated Statements of Operations.

VIII. Other Matters

The Company is involved in various other litigation, governmental proceedings, and claims, not described above, that arise in the normal course of business. While it is not possible to determine the ultimate outcome or the duration of such litigation, governmental proceedings, or claims, the Company believes, based on current knowledge and the advice of

counsel, that such litigation, proceedings, and claims will not have a material impact on the Company's financial position or results of operations.

18. Stockholders' Equity (Deficit)

Each share of the Company's outstanding common stock is permitted one vote on proposals presented to stockholders and is entitled to participate equally in any dividends declared by the Board.

In July 2023, the Company's quarterly dividend was raised from \$0.54 to \$0.62 per share of common stock for dividends declared on or after such date by the Board. The Company declared regular cash dividends of \$2.40, \$2.09, and \$1.83 per share for the years ended March 31, 2024, 2023, and 2022, respectively. The Company anticipates that it will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Board and will depend upon the Company's future earnings, financial condition, capital requirements, legal requirements, and other factors.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)****Share Repurchase Plans**

The Board has authorized the repurchase of common stock. The Company may affect stock repurchases from time-to-time through open market transactions, privately negotiated transactions, accelerated share repurchase ("ASR") programs, or by combinations of such methods, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including the Company's stock price, corporate and regulatory requirements, tax implications, restrictions under the Company's debt obligations, other uses for capital, impacts on the value of remaining shares, cash generated from operations, and market and economic conditions. During the last three fiscal years, the Company's share repurchases were transacted through both open market transactions and ASR programs with third-party financial institutions. The ASR programs discussed below were designed to comply with Rule 10b5-1(c).

Effective January 1, 2023, the Company's repurchase of common stock, adjusted for allowable items, are subject to a 1% excise tax as a result of the IRA. Excise taxes incurred on share repurchases of an entity's own common stock are direct and incremental costs to purchase treasury stock, and accordingly are included in the total cost basis of the common stock acquired and reflected as a reduction of stockholders' equity within "Treasury shares" in the Company's Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity (Deficit). Excise taxes do not reduce the Company's remaining authorization for the repurchase of common stock. Excise taxes of \$25 million were incurred for the year ended March 31, 2024 and accrued within "Other accrued liabilities" in the Company's Consolidated Balance Sheet for shares repurchased during fiscal 2024. The Company did not incur excise taxes during the year ended March 31, 2023.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Information regarding share repurchase activity over the last three fiscal years were as follows:

	Share Repurchases ⁽¹⁾			Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs ⁽³⁾
(In millions, except price per share)	Total Number of Shares Purchased ⁽²⁾	Average Price Paid Per Share		
Balance, March 31, 2021			\$	2,785
Shares repurchased - May 2021 ASR	5.2	\$ 193.22		(1,000)
Shares repurchased - Open market	4.6	\$ 217.73		(1,007)
Share repurchase authorization increase in fiscal 2022				4,000
Shares repurchased - February 2022 ASR ⁽⁴⁾	4.8	\$ 265.56		(1,500)
Balance, March 31, 2022				3,278
Shares repurchased - February 2022 ASR ⁽⁴⁾	0.3	\$ 295.16		—
Shares repurchased - May 2022 ASR	3.1	\$ 321.05		(1,000)
Share repurchase authorization increase in fiscal 2023				4,000
Shares repurchased - December 2022 ASR	2.6	\$ 369.20		(972)
Shares repurchased - Open market ⁽⁵⁾	4.7	\$ 363.24		(1,693)
Balance, March 31, 2023				3,613
Share repurchase authorization increase in fiscal 2024				6,000
Shares repurchased - Open market	6.9	\$ 436.46		(2,998)
Balance, March 31, 2024			\$	6,615

(1) This table does not include the value of equity awards surrendered to satisfy tax withholding obligations or forfeitures of equity awards.

(2) The number of shares purchased reflects rounding adjustments.

(3) The remaining authorization outstanding for repurchases of common stock excludes \$25 million of excise taxes incurred on share repurchases for the year ended March 31, 2024.

(4) In February 2022, the Company entered into an ASR program with a third-party financial institution to repurchase \$1.5 billion shares of common stock. The total number of shares repurchased

under this ASR program was 5.1 million shares at an average price per share of \$295.16. The Company received 4.8 million shares as the initial share settlement in the fourth quarter of fiscal 2022, and in May 2022, the Company received an additional 0.3 million shares upon the completion of this ASR program.

- (5) Of the total dollar value, \$27 million was accrued within “Other accrued liabilities” in the Company’s Consolidated Balance Sheet as of March 31, 2023 for share repurchases that were executed in late March 2023 and settled in early April 2023.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Accumulated Other Comprehensive Loss

Information regarding changes in the Company's accumulated other comprehensive loss by component were as follows:

	Foreign Currency Translation Adjustments		Unrealized Gains (Losses) on Cash Flow and Other Hedges, Net of Tax		Unrealized Gains (Losses) and Other Components of Benefit Plans, Net of Tax		Total Accumulated Other Comprehensive Loss
	Foreign Currency Translation Adjustments, Net of Tax ⁽¹⁾	Unrealized Gains (Losses) on Net Investment Hedges, Net of Tax ⁽²⁾	Unrealized Gains (Losses) on Cash Flow and Other Hedges, Net of Tax ⁽³⁾				
(In millions)							
Balance, March 31, 2021	\$ (1,361)	\$ (36)	\$ 13	\$ (96)	\$ (1,480)		
Other comprehensive income (loss) before reclassifications	(51)	41	18	31	39		
Amounts reclassified to earnings and other ⁽⁴⁾	71	(1)	(4)	10	76		
Other comprehensive income	20	40	14	41	115		
Less: amounts attributable to noncontrolling and redeemable noncontrolling interests	5	(6)	—	—	(1)		
Other comprehensive income attributable to McKesson	15	46	14	41	116		
Exercise of put right by noncontrolling shareholders of McKesson Europe AG	(158)	—	—	(12)	(170)		
Balance, March 31, 2022	(1,504)	10	27	(67)	(1,534)		
Other comprehensive income (loss) before reclassifications	(329)	112	10	28	(179)		
Amounts reclassified to							

- (1) Primarily results from the conversion of non-U.S. dollar financial statements of the Company's operations in Canada and Europe into the Company's reporting currency, U.S. dollars.
- (2) Amounts before reclassifications recorded in fiscal 2023 and fiscal 2022 include gains of \$7 million and \$73 million, respectively, related to net investment hedges from Euro-denominated notes. Amounts before reclassifications recorded in fiscal 2024, fiscal 2023, and fiscal 2022 include gains (losses) of \$3 million, \$28 million, and \$(4) million, respectively, related to net investment hedges from cross-currency swaps. These amounts are net of income tax expense of \$1 million, \$33 million, and \$23 million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

- (3) Amounts before reclassifications recorded in fiscal 2024, fiscal 2023, and fiscal 2022 include gains (losses) of \$39 million, \$(54) million, and \$(18) million, respectively, related to cash flow and other hedges from cross-currency swaps, and gains (losses) of \$14 million, \$(30) million, and \$39 million, respectively, related to cash flow hedges from fixed interest rate swaps. These amounts are net of income tax benefit (expense) of \$(14) million, \$21 million, and \$(7) million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively.
- (4) Primarily includes adjustments for amounts related to the sale of the Company's Austrian business, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures." These amounts were included in the fiscal 2022 calculation of charges to remeasure the assets and liabilities held for sale to fair value less costs to sell recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statement of Operations.
- (5) Primarily includes adjustments for amounts related to the divestitures of the E.U. disposal group in October 2022, including the impact of amounts previously attributed to the noncontrolling interest in McKesson Europe, and the U.K. disposal group in April 2022, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures." These amounts were included in the fiscal 2023 and fiscal 2022 calculations of charges to remeasure the assets and liabilities of the disposal groups to fair value less costs to sell recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations. Amounts reclassified to earnings and other includes a net income tax impact of \$6 million.

19. Related Party Balances and Transactions

McKesson Europe had investments in pharmacies located across Europe that were accounted for under the equity method. McKesson Europe maintained distribution arrangements with these pharmacies for the sale of related goods and services under which revenues of \$137 million are included in the Consolidated Statement of Operations for the year ended March 31, 2022. Predominately all of these pharmacies were divested from the Company in the fourth quarter of fiscal 2022 as part of the completed divestiture of the Company's Austrian business, and in fiscal 2023 as part of the completed divestitures of the E.U. disposal group and U.K. disposal group. Refer to Financial Note 2, "Business Acquisitions and Divestitures," for additional information on the Company's European divestiture activities.

For the year ended March 31, 2022, the Company's pharmaceutical sales to one of its equity method investees in the U.S. Pharmaceutical segment totaled \$100 million. During fiscal 2022, the Company's investment in this investee was no longer accounted for using the equity method and subsequently not considered a related party.

20. Segments of Business

The Company reports its financial results in four reportable segments: U.S. Pharmaceutical, RxTS, Medical-Surgical Solutions, and International. The organizational structure also includes Corporate, which consists of income and expenses associated with administrative functions and projects, and the results of certain investments. The factors for

determining the reportable segments include the manner in which management evaluates the performance of the Company combined with the nature of the individual business activities. The Company evaluates the performance of its operating segments on a number of measures, including revenues and operating profit (loss) before interest expense and income taxes. Assets by operating segment are not reviewed by management for the purpose of assessing performance or allocating resources.

The U.S. Pharmaceutical segment distributes branded, generic, specialty, biosimilar and over-the-counter pharmaceutical drugs, and other healthcare-related products in the U.S. This segment also provides practice management, technology, clinical support, and business solutions to community-based oncology and other specialty practices. In addition, the segment sells financial, operational, and clinical solutions to pharmacies (retail, hospital, alternate sites) and provides consulting, outsourcing, technological, and other services.

The RxTS segment helps solve medication access, affordability, and adherence challenges for patients by working across healthcare to connect patients, pharmacies, providers, pharmacy benefit managers, health plans, and biopharma companies. RxTS serves our biopharma and life sciences partners, delivering innovative solutions that help people get the medicine they need to live healthier lives. RxTS also offers prescription price transparency, benefit insight, dispensing support services, third-party logistics, and wholesale distribution support across various therapeutic categories and temperature ranges to biopharma customers throughout the product lifecycle.

The Medical-Surgical Solutions segment provides medical-surgical supply distribution, logistics, and other services to healthcare providers, including physician offices, surgery centers, nursing homes, hospital reference labs, and home health care agencies. This segment offers national brand medical-surgical products as well as McKesson's own line of high-quality products through a network of distribution centers in the U.S.

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

The International segment includes the Company's operations in Canada and Europe, bringing together non-U.S.-based drug distribution services, specialty pharmacy, retail, and infusion care services. The Company's Canadian operations deliver medicines, supplies, and information technology solutions throughout Canada and includes Rexall Health retail pharmacies. The Company completed the divestitures of its Austrian business in January 2022, the U.K. disposal group in April 2022, and the E.U. disposal group in October 2022. Refer to Financial Note 2, "Business Acquisitions and Divestitures," for more information. The Company's remaining operations in Europe provide distribution and services to wholesale and retail customers in Norway where it owns, partners, or franchises with retail pharmacies.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Financial information relating to the Company's reportable operating segments and reconciliations to the consolidated totals was as follows:

	Years Ended March 31,		
(In millions)	2024	2023	2022
Segment revenues ⁽¹⁾			
U.S. Pharmaceutical	\$ 278,739	\$ 240,616	\$ 212,149
Prescription Technology Solutions	4,769	4,387	3,864
Medical-Surgical Solutions	11,313	11,110	11,608
International	14,130	20,598	36,345
Total revenues	<u>\$ 308,951</u>	<u>\$ 276,711</u>	<u>\$ 263,966</u>
Segment operating profit (loss) ⁽²⁾			
U.S. Pharmaceutical ⁽³⁾	\$ 2,786	\$ 3,206	\$ 2,879
Prescription Technology Solutions ⁽⁴⁾	835	566	500
Medical-Surgical Solutions ⁽⁵⁾	952	1,117	959
International ⁽⁶⁾	319	136	(968)
Subtotal	4,892	5,025	3,370
Corporate expenses, net ⁽⁷⁾	(851)	(147)	(1,073)
Loss on debt extinguishment ⁽⁸⁾	—	—	(191)
Interest expense	(252)	(248)	(178)
Income from continuing operations before income taxes	<u>\$ 3,789</u>	<u>\$ 4,630</u>	<u>\$ 1,928</u>
Segment depreciation and amortization ⁽⁹⁾			
U.S. Pharmaceutical	\$ 229	\$ 212	\$ 228
Prescription Technology Solutions	84	77	82
Medical-Surgical Solutions	84	80	129
International	117	115	204
Corporate	121	124	117
Total depreciation and amortization	<u>\$ 635</u>	<u>\$ 608</u>	<u>\$ 760</u>
Segment expenditures for long-lived assets ⁽¹⁰⁾			
U.S. Pharmaceutical	\$ 193	\$ 154	\$ 137
Prescription Technology Solutions	31	35	10
Medical-Surgical Solutions	159	117	74
International	75	79	177
Corporate	229	173	137
Total expenditures for long-lived assets	<u>\$ 687</u>	<u>\$ 558</u>	<u>\$ 535</u>

(1) Revenues from services on a disaggregated basis represent approximately 1% of the U.S. Pharmaceutical segment's total revenues, less than 39% of the RxTS segment's total revenues, less than 3% of the Medical-Surgical Solutions segment's total revenues, and less than 8% of the International segment's total revenues. The International segment reflects foreign revenues. Revenues for the remaining three reportable segments are domestic.

- (2) Segment operating profit (loss) includes gross profit, net of total operating expenses, as well as other income (expense), net, for the Company's reportable segments.
- (3) The Company's U.S. Pharmaceutical segment's operating profit includes the following:
- a provision for bad debts of \$725 million for the year ended March 31, 2024 related to the bankruptcy of the Company's customer Rite Aid, as further discussed in Financial Note 1, "Significant Accounting Policies;"
 - cash receipts for the Company's share of antitrust legal settlements were \$244 million, \$129 million, and \$46 million for the years ended March 31, 2024, 2023, 2022, respectively;

McKESSON CORPORATION**FINANCIAL NOTES (Continued)**

- a credit of \$157 million, a charge of \$1 million, and a credit of \$23 million for the years ended March 31, 2024, 2023, and 2022, respectively, related to the LIFO method of accounting for inventories;
 - a charge of \$74 million in fiscal 2024 related to the estimated liability for opioid-related claims, as discussed in more detail in Financial Note 17, "Commitments and Contingent Liabilities;"
 - a gain of \$142 million for the year ended March 31, 2023 related to the exit of one of the Company's investments in equity securities in July 2022 for proceeds of \$179 million, which is reflected within "Other income, net" in the Company's Consolidated Statement of Operations; and
 - a charge of \$18 million for fiscal 2023 recorded in connection with the Company's estimated liability under the State of New York's OSA, as further discussed in Financial Note 17, "Commitments and Contingent Liabilities."
- (4) The Company's RxTS segment's operating profit includes the following:
- fair value adjustment gains of \$78 million in fiscal 2024, which reduced the Company's contingent consideration liability related to the RxSS acquisition, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures;" and
 - restructuring charges of \$43 million in fiscal 2023 primarily for severance and employee-related costs, as well as asset impairments and accelerated depreciation. Refer to Financial Note 3, "Restructuring, Impairment, and Related Charges, Net" for further information.
- (5) The Company's Medical-Surgical Solutions segment's operating profit for fiscal 2022 includes inventory charges of \$164 million primarily related to certain personal protective equipment and other related products.
- (6) The Company's International segment's operating profit (loss) includes the following:
- charges of \$240 million and \$383 million for the years ended March 31, 2023 and 2022, respectively, to remeasure the assets and liabilities of the E.U. disposal group to fair value less costs to sell and, in fiscal 2022, to impair certain assets, including internal-use software that will not be utilized in the future, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures;"
 - a charge of \$1.1 billion for the year ended March 31, 2022 to remeasure the assets and liabilities of the U.K. disposal group to fair value less costs to sell, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures;"
 - a gain of \$59 million for the year ended March 31, 2022 related to the sale of the Company's Canadian health benefit claims management and plan administrative services business; and
 - a gain of \$42 million for the year ended March 31, 2022 related to the sale of the Company's previously held 30% interest in its German pharmaceutical wholesale joint venture to WBA.
- (7) Corporate expenses, net, includes the following:

- a net charge of \$73 million in fiscal 2024, a credit of \$8 million in fiscal 2023, and a charge of \$274 million in fiscal 2022 related to the estimated liability for opioid-related claims, as discussed in more detail in Financial Note 17, "Commitments and Contingent Liabilities;"
 - charges of \$55 million, \$83 million, and \$100 million for the years ended March 31, 2024, 2023, and 2022, respectively, for restructuring initiatives as discussed in more detail in Financial Note 3, "Restructuring, Impairment, and Related Charges, Net;"
 - charges of \$35 million, \$36 million, and \$130 million for the years ended March 31, 2024, 2023, and 2022, respectively, for opioid-related costs, primarily litigation expenses;
 - net losses of \$24 million and \$36 million for the years ended March 31, 2024 and 2023, respectively, and a net gain of \$98 million for the year ended March 31, 2022, associated with certain of the Company's equity investments, as discussed in more detail in Financial Note 15, "Fair Value Measurements;"
 - a gain of \$306 million in fiscal 2023 and a charge of \$55 million in fiscal 2022 primarily related to the effect of accumulated other comprehensive loss components from the E.U. disposal group, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures;"
 - a gain of \$126 million in fiscal 2023 related to a cash payment received for the early termination of a TRA exercised by Change in October 2022 and was recorded within "Other income, net" in the Consolidated Statement of Operations, as discussed in more detail in Financial Note 5, "Other Income, Net;"
 - a gain of \$97 million in fiscal 2023 from the termination of certain forward starting fixed interest rate swaps, as discussed in more detail in Financial Note 14, "Hedging Activities;" and
 - a charge of \$42 million in fiscal 2022 primarily related to the effect of accumulated other comprehensive loss components from the U.K. disposal group, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures."
- (8) Loss on debt extinguishment for fiscal 2022 consists of a charge of \$191 million related to the Company's July 2021 tender offer to redeem a portion of its existing debt, as discussed in more detail in Financial Note 11, "Debt and Financing Activities."
- (9) Amounts primarily consist of amortization of acquired intangible assets purchased in connection with business acquisitions and capitalized software for internal use as well as depreciation and amortization of property, plant, and equipment, net.
- (10) Long-lived assets consist of property, plant, and equipment, net and capitalized software.

McKESSON CORPORATION
FINANCIAL NOTES (Concluded)

Segment assets and long-lived assets by geographic areas were as follows:

(In millions)	March 31,	
	2024	2023
Segment assets		
U.S. Pharmaceutical	\$ 46,812	\$ 41,793
Prescription Technology Solutions	4,385	4,168
Medical-Surgical Solutions	6,233	5,780
International	6,535	6,226
Corporate	3,478	4,353
Total assets	<u>\$ 67,443</u>	<u>\$ 62,320</u>
Long-lived assets ⁽¹⁾		
United States	\$ 2,477	\$ 2,207
Foreign	334	323
Total long-lived assets	<u>\$ 2,811</u>	<u>\$ 2,530</u>

(1) Long-lived assets consist of property, plant, and equipment, net and capitalized software.

Table of Contents

McKESSON CORPORATION

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer, with the participation of other members of the Company's management, have evaluated the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report and have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Internal Control over Financial Reporting

Changes in Internal Controls

[illegible]

Item 9B. Other Information.

Pre-arranged Trading Plans

There were no trading arrangements adopted, modified, or terminated by our directors and officers during the three months ended March 31, 2024.

[illegible][illegible]

PART III

[illegible]

Information about our directors is incorporated by reference from the discussion under the heading “Election of Directors” under Item 1 of our Proxy Statement for the calendar year 2024 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days of the Company’s fiscal year end covered by this Annual Report (the “Proxy Statement”). Information about our executive officers is incorporated by reference from the discussion in Part I of this Annual Report under the heading “Information about our Executive Officers.” Information about our Audit Committee, including the members of the committee and our Audit Committee Financial Experts, is incorporated by reference from the discussion in Item 1 of the Proxy Statement under the heading “The Board, Committees and Meetings,” and in Item 2 of the Proxy Statement under the heading “Audit Committee Report.”

Information about the Code of Conduct applicable to all employees, officers, and directors can be found on our website, www.mckesson.com, under the caption “Investors — Governance.” Our Corporate Governance Guidelines and current charters for the Audit Committee, Compensation and Talent Committee, Governance and Sustainability Committee, as well as the Compliance Committee and Finance Committee, can be found on the same website, under the same caption.

Table of Contents

McKESSON CORPORATION

The Company intends to post on its website required information regarding any amendment to, or waiver from, the Code of Conduct that applies to our Chief Executive Officer, Chief Financial Officer, Controller, and persons performing similar functions within four business days after any such amendment or waiver.

Insider Trading Policies and Procedures

We are committed to fostering a culture of compliance, ethics, and regulatory excellence. In furtherance of that commitment, the Company maintains an insider trading compliance program consisting of multiple integrated policies, procedures, controls, and practices that, together, represent our systematic approach to facilitating the oversight, management, and mitigation of insider trading risks across our organization. The foundation of this program is a framework of insider trading policies and procedures (“Insider Trading Policy Framework”) we have adopted applicable to our directors, officers, and employees, as well as the Company itself, which governs the purchase, sale, and other disposition of the securities of the Company and other organizations, including our business partners. We believe the Insider Trading Policy Framework is reasonably designed to promote compliance with insider trading laws, rules, and regulations, and the listing standards applicable to us. Copies of the various policies and procedures comprising our Insider Trading Policy Framework are filed as Exhibits 19.1 through 19.5 to this Annual Report on Form 10-K.

We apply aspects of the Insider Trading Policy Framework commensurate with our assessment of the varying insider trading risks facing the Company and its workforce. The Insider Trading Policy Framework’s general policies and procedures, together with the insider trading compliance standards in the Code of Conduct, cover all of our directors and employees and provide broad prohibitions against the illegal and unauthorized use and disclosure of material non-public information (“MNPI”). The Insider Trading Policy Framework also contains supplemental targeted policies and procedures for individuals whose roles and functions present heightened risk of access to, and misuse of, MNPI. These separate policies and procedures subject directors, designated officers for purposes of Section 16 of the Exchange Act, and certain other employees who are likely to be aware of potential MNPI (collectively, “Designated Insiders”) to additional trading restrictions, which may limit trading in the Company’s securities to defined trading window periods or upon pre-approval by the Company’s securities counsel, or both. The Insider Trading Policy Framework generally permits, however, trading by the Company and its personnel pursuant to a trading plan that is designed to meet the requirements of Rule 10b5-1 of the Exchange Act and the Insider Trading Policy Framework.

The Company reinforces the Insider Trading Policy Framework with similarly-tailored periodic training and compliance reminders. Insider trading compliance is part of our Code of Conduct training that is required for all employees during the onboarding process and on an annual basis thereafter, and we provide supplemental training to Designated Insiders.

The Chief Legal Officer is principally responsible for designing and implementing our insider trading compliance program and risk management strategy. The Chief Legal Officer and other members of our general counsel organization work collaboratively across the enterprise, including in coordination with our global corporate reporting and investor

relations functions, to administer the program and otherwise assist senior leadership in monitoring and mitigating our insider trading risks. We review and refresh the program as needed, considering developments in insider trading laws, emerging risk areas, and policy benchmarks.

A committee of our Board periodically reviews our Insider Trading Policy Framework and related compliance and risk management measures to assist the Board in its oversight of the Company's compliance with legal and regulatory requirements and risk management.

Item 11. Executive Compensation.

Information about executive compensation is incorporated by reference from the discussion under the heading "Executive Compensation" in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information about security ownership of certain beneficial owners and management is incorporated by reference from the discussion under the heading "Principal Shareholders" in the Proxy Statement.

[Table of Contents](#)

McKESSON CORPORATION

The following table sets forth information as of March 31, 2024 with respect to the plans under which the Company's common stock is authorized for issuance:

Plan Category (In millions, except per share amounts)	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	3.4 ⁽²⁾	\$ 145.78	7.9 ⁽³⁾
Equity compensation plans not approved by security holders	—	\$ —	—

- (1) The weighted-average exercise price set forth in this column is calculated excluding outstanding restricted stock unit awards since recipients are not required to pay an exercise price to receive the shares subject to these awards.
- (2) Represents option and restricted stock unit awards outstanding under the following plans: (i) 1997 Non-Employee Directors' Equity Compensation and Deferral Plan; (ii) the 2005 Stock Plan; (iii) the 2013 Stock Plan; and (iv) the 2022 Stock Plan. This amount also includes 2.1 million shares reserved for the potential of maximum payouts of outstanding performance stock units previously granted under the 2013 Stock Plan.
- (3) Represents 3.4 million shares available for purchase under the 2000 Employee Stock Purchase Plan and 4.5 million shares available for grant under the 2022 Stock Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information with respect to certain transactions with directors and management is incorporated by reference from the Proxy Statement under the heading "Related Party Transactions Policy and Transactions with Related Persons." Information regarding Director independence is incorporated by reference from the Proxy Statement under the heading "Director Independence." Additional information regarding certain related party balances and transactions is included in the "Financial Review" section of this Annual Report and Financial Note 19, "Related Party Balances and Transactions" to the consolidated financial statements included in this Annual Report.

Item 14. Principal Accountant Fees and Services.

Information regarding principal accountant fees and services is set forth under the heading “Ratification of Appointment of Deloitte & Touche LLP as the Company’s Independent Registered Public Accounting Firm for Fiscal Year 2025” in the Proxy Statement is incorporated herein by reference.

[Table of Contents](#)

McKESSON CORPORATION

PART IV

Item 15. Exhibits and Financial Statement Schedule.

	Page
(a)(1) Consolidated Financial Statements	
Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm (PCAOB ID: 34)	57
Consolidated Statements of Operations for the years ended March 31, 2024, 2023, and 2022	60
Consolidated Statements of Comprehensive Income for the years ended March 31, 2024, 2023, and 2022	61
Consolidated Balance Sheets as of March 31, 2024 and 2023	62
Consolidated Statements of Stockholders' Equity (Deficit) for the years ended March 31, 2024, 2023, and 2022	63
Consolidated Statements of Cash Flows for the years ended March 31, 2024, 2023, and 2022	64
Financial Notes	65
(a)(2) Financial Statement Schedule	
Schedule II-Valuation and Qualifying Accounts	130
All other schedules not included have been omitted because of the absence of conditions under which they are required or because the required information, where material, is shown in the financial statements, financial notes, or supplementary financial information.	
(a)(3) Exhibits submitted with this Annual Report on Form 10-K as filed with the SEC and those incorporated by reference to other filings are listed on the Exhibit Index	131

SUPPLEMENTARY CONSOLIDATED FINANCIAL STATEMENT SCHEDULE
VALUATION AND QUALIFYING ACCOUNTS
(In millions)

!!

	Years Ended March 31,		
	2024	2023	2022
(1) Deductions:			
Written-off	\$ (62)	\$ (37)	\$ (106)
Credited to other accounts and other	—	(8)	(2)
Total	<u>\$ (62)</u>	<u>\$ (45)</u>	<u>\$ (108)</u>
(2) Amounts shown as deductions from current and non-current receivables (current allowances were \$921 million, \$158 million, and \$144 million at March 31, 2024, 2023, and 2022, respectively)	<u>\$ 931</u>	<u>\$ 160</u>	<u>\$ 151</u>
(3) Primarily represents reclassifications to other balance sheet accounts....			
(4) Includes a provision for bad debts recognized of \$725 million related to the bankruptcy of the Company's customer Rite Aid Corporation (including certain of its subsidiaries, "Rite Aid"). In October 2023, Rite Aid filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code and this amount represents the uncollected trade accounts receivable balance due from Rite Aid prior to its bankruptcy petition filing.....			

[Table of Contents](#)

McKESSON CORPORATION

EXHIBIT INDEX

The agreements included as exhibits to this report are included to provide information regarding their terms and not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement that were made solely for the benefit of the other parties to the applicable agreement. Those representations and warranties:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibits identified under “Incorporated by Reference” in the table below are on file with the SEC and are incorporated by reference as exhibits hereto.

Exhibit Number	Description	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State on July 27, 2011.	8-K	1-13252	3.1	August 2, 2011
3.2	Amended and Restated By-Laws of the Company, as amended April 26, 2023.	8-K	1-13252	3.1	April 28, 2023
4.1	Indenture, dated as of March 11, 1997, by and between the Company, as issuer, and The First National Bank of Chicago, as trustee.	10-K	1-13252	4.4	June 19, 1997
4.2	Officers' Certificate, dated as of March 11, 1997, and related Form of 2027 Note.	S-4	333-30899	4.2	July 8, 1997
4.3	Indenture, dated as of March 5, 2007, by and between the Company, as issuer, and The Bank of New York Trust Company, N.A., as trustee.	8-K	1-13252	4.1	March 5, 2007
4.4	First Supplemental Indenture, dated as of February 28, 2011, to the Indenture, dated as of March 5, 2007, among the Company, as issuer, the Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), and Wells Fargo Bank, National Association, as trustee, and related Form of 2021 Note and Form of 2041 Note.	8-K	1-13252	4.2	February 28, 2011
4.5	Indenture, dated as of December 4, 2012, by and between the Company, as issuer, and Wells Fargo Bank, National Association, as trustee.	8-K	1-13252	4.1	December 4, 2012
4.6	Officers' Certificate, dated as of March 10, 2014, and related Form of 2024 Note, and Form of 2044 Note.	8-K	1-13252	4.2	March 10, 2014
4.7	Officer's Certificate, dated as of February 17, 2017, and related Form of 2021 Euro Note, Form of 2025 Euro Note, and Form of 2029 Sterling Note.	8-K	1-13252	4.1	February 17, 2017
4.8	Officer's Certificate, dated as of February 12, 2018, and related Form of 2026 Euro Note.	8-K	1-13252	4.1	February 13, 2018
4.9	Officer's Certificate, dated as of February 16, 2018, and related Form of 2028 Note.	8-K	1-13252	4.1	February 21, 2018
4.10	Officer's Certificate, dated as of November 30, 2018, and Form of 2029 Note.	8-K	1-13252	4.1	November 30, 2018
4.11	Officer's Certificate, dated as of December 3, 2020, and related Form of 2025 Note.	8-K	1-13252	4.1	December 3, 2020

[Table of Contents](#)

McKESSON CORPORATION

Exhibit Number	Description	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
4.12	Officer's Certificate, dated as of August 12, 2021, and related Form of 2026 Note.	8-K	1-13252	4.1	August 12, 2021
4.13	Indenture, dated as of February 15, 2023, by and between the Company, as issuer, and U.S. Bank Trust Company, National Association, as trustee.	8-K	1-13252	4.1	February 15, 2023
4.14	Officer's Certificate, dated as of February 15, 2023, and related Form of 2026 Note.	8-K	1-13252	4.2	February 15, 2023
4.15	Officer's Certificate, dated as of June 15, 2023, and related Form of 2028 Note and Form of 2033 Note.	8-K	1-13252	4.1	June 16, 2023
4.16†	Description of the Company's Securities.	—	—	—	—
10.1*	McKesson Corporation Supplemental Profit Sharing Investment Plan, as amended and restated on January 29, 2003.	10-K	1-13252	10.6	June 6, 2003
10.2*	McKesson Corporation Supplemental Retirement Savings Plan, as amended and restated effective July 30, 2019.	10-Q	1-13252	10.2	October 30, 2019
10.3*	McKesson Corporation Deferred Compensation Administration Plan II, as amended and restated as of October 28, 2004, and Amendment No. 1 thereto effective July 25, 2007.	10-K	1-13252	10.7	May 7, 2008
10.4*	McKesson Corporation Deferred Compensation Administration Plan III, as amended and restated effective July 30, 2019.	10-Q	1-13252	10.1	October 30, 2019
10.5*	McKesson Corporation Executive Survivor Benefits Plan, as amended and restated as of January 20, 2010.	8-K	1-13252	10.1	January 25, 2010
10.6*	McKesson Corporation Severance Policy for Executive Employees, as amended and restated April 26, 2022.	10-K	1-13252	10.6	May 9, 2022
10.7*	McKesson Corporation Change in Control Policy for Selected Executive Employees, as amended and restated effective January 28, 2020.	10-K	1-13252	10.8	May 22, 2020
10.8*	McKesson Corporation Management Incentive Plan, as amended and restated April 26, 2022.	10-K	1-13252	10.8	May 9, 2022
10.9*	Form of Statement of Terms and Conditions Applicable to Awards Pursuant to the McKesson Corporation Management Incentive Plan, effective April 26, 2022.	10-K	1-13252	10.9	May 9, 2022
10.10*	McKesson Corporation 2005 Stock Plan, as amended and restated on July 28, 2010.	10-Q	1-13252	10.4	July 30, 2010

Exhibit Number	Description	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
10.18	Distributor Settlement Agreement related to opioids claims, entered into on February 25, 2022, among the Settling States, the Settling Distributors, and the Participating Subdivisions (as defined therein).	8-K/A	1-6671	10.1	May 3, 2022
10.19	Credit Agreement, dated as of November 7, 2022, among the Company, as borrower, the lenders party thereto, the letter of credit issuers party thereto, Bank of America, N.A., as administrative agent, and the other parties thereto.	8-K	1-13252	10.1	November 7, 2022
10.20*	Form of Statement of Terms and Conditions Applicable to Awards Pursuant to the McKesson Corporation Management Incentive Plan, effective October 23, 2023.	10-Q	1-13252	10.2	November 2, 2023
10.21	Extension Notice Acknowledgement to Credit Agreement, dated as of November 7, 2022, among the Company, as borrower, the lenders party thereto, the letter of credit issuers party thereto, Bank of America, N.A., as administrative agent, and the other parties thereto.	8-K	1-13252	10.1	November 7, 2023
10.22†*	Forms of Statement of Terms and Conditions and Grant Notices Applicable to Awards Pursuant to the McKesson Corporation 2022 Stock Plan, effective April 23, 2024.	—	—	—	—
19.1†	Insider Trading Policy and Procedure applicable to all directors, officers, and employees.	—	—	—	—
19.2†	Designated Insider Trading Policy and Procedure applicable to all directors and officers, and certain specified employees.	—	—	—	—
19.3†	Section 16 Insider Policy and Procedure applicable to all directors and officers.	—	—	—	—
19.4†	Pre-Arranged Trading Plan Policy and Procedure applicable to all directors, officers, and employees.	—	—	—	—
19.5†	Share Repurchase and Sale Policy applicable to the Company.	—	—	—	—
21†	List of Significant Subsidiaries of the Registrant.	—	—	—	—
23†	Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP.	—	—	—	—
31.1†	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934 and adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
31.2†	Certification of Chief Financial Officer	—	—	—	—

[Table of Contents](#)

McKESSON CORPORATION

* Management contract or compensation plan or arrangement in which directors and/or executive officers are eligible to participate.

† Filed herewith.

†† Furnished herewith.

Registrant agrees to furnish to the SEC upon request a copy of each instrument defining the rights of security holders with respect to issues of long-term debt of the registrant, the authorized principal amount of which does not exceed 10% of the total assets of the registrant.

Item 16. Form 10-K Summary.

None.

[Table of Contents](#)

McKESSON CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

McKESSON CORPORATION

May 7, 2024

/s/ Britt J. Vitalone

Britt J. Vitalone

Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

/s/ Brian S. Tyler

Brian S. Tyler

Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Donald R. Knauss

Donald R. Knauss, Director

/s/ Britt J. Vitalone

Britt J. Vitalone

Executive Vice President and Chief Financial
Officer
(Principal Financial Officer)

/s/ Bradley E. Lerman

Bradley E. Lerman, Director

/s/ Napoleon B. Rutledge Jr.

Napoleon B. Rutledge Jr.

Senior Vice President and Controller
(Principal Accounting Officer)

/s/ Linda P. Mantia

Linda P. Mantia, Director

/s/ Richard H. Carmona

Richard H. Carmona, M.D., Director

/s/ Maria Martinez

Maria Martinez, Director

/s/ Dominic J. Caruso

Dominic J. Caruso, Director

/s/ Kevin Ozan

Kevin Ozan, Director

/s/ W. Roy Dunbar

W. Roy Dunbar, Director

/s/ Susan R. Salka

Susan R. Salka, Director

/s/ James H. Hinton

James H. Hinton, Director

/s/ Kathleen Wilson-Thompson

Kathleen Wilson-Thompson, Director

May 7, 2024