



Walgreens Boots Alliance

Fiscal 2018 Third Quarter Results

28 June 2018

Safe harbor and non-GAAP

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

Non-GAAP Financial Measures: Today’s presentation includes certain non-GAAP financial measures, and we refer you to the footnotes on page 17 and the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable U.S. GAAP financial measures and related information.





Walgreens Boots Alliance

Fiscal 2018 Third Quarter Results

3Q operational highlights¹



Trialing new retail initiatives



Expanding strategic partnerships – LabCorp, Sprint, FedEx & Humana



Good progress on integration of acquired Rite Aid stores



Growing overall pharmacy script volume



Enhancing digital customer experience



Strategic growth drivers



3Q financial highlights



Walgreens Boots Alliance

		3Q18	Reported Δ vs. 3Q17	Constant currency ² Δ vs. 3Q17
		\$ in millions (except EPS & % change)		
Sales		\$34,334	+ 14.0%	+ 11.8%
Operating income:	GAAP	\$1,601	+ 5.5%	
	Adjusted³	\$1,947	+ 1.7%	+ 0.9%
Net earnings⁴:	GAAP	\$1,342	+ 15.5%	
	Adjusted³	\$1,522	+ 5.6%	+ 4.6%
Diluted net EPS⁴:	GAAP	\$1.35	+ 26.2%	
	Adjusted³	\$1.53	+ 15.0%	+ 13.5%



Walgreens Boots Alliance

© 2018 Walgreens Boots Alliance, Inc. All rights reserved.

Refer to footnotes on page 17

Year-to-date FY18 financial highlights



Walgreens Boots Alliance

\$ in millions (except EPS & % change)		YTD18	Reported Δ vs. YTD17	Constant currency ² Δ vs. YTD17
Sales		\$98,095	+ 11.4%	+ 9.5%
Operating income:	GAAP	\$4,903	+ 10.4%	
	Adjusted³	\$5,919	+ 4.6%	+ 3.8%
Net earnings⁴:	GAAP	\$3,512	+ 7.2%	
	Adjusted³	\$4,538	+ 10.2%	+ 9.1%
Diluted net EPS⁴:	GAAP	\$3.51	+ 16.2%	
	Adjusted³	\$4.54	+ 19.8%	+ 18.5%



Retail Pharmacy USA – 3Q financials



\$ in millions (except %)	3Q18	Δ vs. 3Q17
Sales	\$25,917	+ 15.0%
Comparable store sales⁵		- 1.2%
Adjusted gross profit^{3,6}	\$6,104	+ 7.7%
Adjusted SG&A % of sales^{3,6}	17.8%	- 0.9%p
Adjusted operating margin^{3,6}	5.8%	- 0.7%p
Adjusted operating income^{3,6}	\$1,492	+ 2.0%



Retail Pharmacy USA – pharmacy



3Q18 vs. 3Q17	Total	Comparable⁵
Pharmacy sales	+ 19.3%	0.0%
Prescriptions⁷	+ 11.8%	0.0%

Total script growth: acquired Rite Aid stores and central specialty

Market share 22.4%⁸: up 190 bps

Higher gross profit



Retail Pharmacy USA – retail

3Q18 vs. 3Q17



Total retail sales up 5.2%: acquired Rite Aid stores

Comparable retail sales down 3.8%⁵

Continued focus on improving retail profitability

Higher gross profit and margin

Stronger performance in beauty differentiation stores



Retail Pharmacy International – 3Q financials



\$ in millions (except %)	3Q18	Constant currency² Δ vs. 3Q17
Sales⁹	\$2,995	- 2.1%
Comparable store sales^{5,9}		- 1.4%
Comparable pharmacy sales^{5,9}		- 1.7%
Comparable retail sales^{5,9}		- 1.3%
Adjusted operating margin^{3,9}	6.6%	- 0.5%p
Adjusted operating income^{3,9}	\$198	- 9.3%



Pharmaceutical Wholesale – 3Q financials



\$ in millions (except %)	3Q18	Constant currency² Δ vs. 3Q17
Sales¹⁰	\$5,965	+ 4.0%
Comparable sales^{10,11}		+ 4.0%
Adjusted operating margin^{3,10,12}	2.4%	- 0.3%p
Adjusted operating income^{3,10,12}	\$257	+ 0.4%



3Q cash flow



Walgreens Boots Alliance

Operating cash flow: \$2.2 billion

Working capital inflow¹³: \$344 million

Cash capital expenditure: \$317 million

Free cash flow³: \$1.9 billion and \$4.4 billion YTD18



Fiscal year 2018 guidance¹



Walgreens Boots Alliance

Adjusted diluted net EPS^{1,3}: \$5.90 - \$6.05

Previously: \$5.85 - \$6.05

- revised guidance approx. +16% to +19% growth versus FY17 adjusted diluted net EPS^{1,3}
- assumes current exchange rates for rest of fiscal year¹
- no significant impact from Rite Aid¹



Walgreens Boots Alliance

© 2018 Walgreens Boots Alliance, Inc. All rights reserved.

Refer to footnotes on page 17

Summary



Walgreens Boots Alliance

- ✓ **Solid quarter with adjusted diluted net EPS up 15.0%^{3,4}
- year to date adjusted diluted net EPS up 19.8%^{3,4}**
- ✓ **Progress on strategic initiatives**
- ✓ **Commitment to shareholder return¹
- dividend increase and share repurchase program¹**



Walgreens Boots Alliance

© 2018 Walgreens Boots Alliance, Inc. All rights reserved.

Refer to footnotes on page 17



Walgreens Boots Alliance



We help people across the world lead healthier and happier lives

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

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



Walgreens Boots Alliance

© 2018 Walgreens Boots Alliance, Inc. All rights reserved.

Footnotes

1. Forward-Looking Statements – see cautionary note on slide 2.
2. Presented on a constant currency basis. Non-GAAP financial measure – see appendix. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.
3. Non-GAAP financial measures: see appendix for reconciliations of non-GAAP financial measures and related disclosures.
4. Net earnings and net earnings per common share - diluted figures are attributable to Walgreens Boots Alliance, Inc.
5. Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or subject to a natural disaster in the past twelve months. Relocated and acquired stores are not included as comparable stores for the first twelve months after the relocation or acquisition. The method of calculating comparable sales varies across the industries in which we operate. As a result, our method of calculating comparable sales may not be the same as other companies' methods.
6. Retail Pharmacy USA segment GAAP 3Q18 results, dollars in millions: gross profit \$6,029, selling general and administrative expenses \$4,776, SG&A as a percent of sales 18.4%, operating income \$1,253, and operating margin 4.8% – see appendix.
7. Retail Pharmacy USA Pharmacy prescriptions (including immunizations) are reported on a 30 day equivalent basis.
8. This information is an estimate derived from the use of information under license from the following IQVIA (formerly IMS Health) information service: IQVIA Prescription Services as of 31 May 2018 and includes prescriptions filled at stores acquired from Rite Aid from and after the cutover date. IQVIA expressly reserves all rights, including rights of copying, distribution and republication.
9. Retail Pharmacy International segment GAAP 3Q18 results, dollars in millions: gross profit \$1,215, selling general and administrative expenses \$1,043, SG&A as a percent of sales 34.8%, operating income \$172, and operating margin 5.7% – see appendix. In 3Q18 compared to the prior year quarter, the division's gross profit on a reported currency basis increased 5.8%, selling general and administrative expense on a reported currency basis increased 3.7%, selling general and administrative expense as a percent of sales on a reported currency basis decreased 1.0 percentage points, operating income on a reported currency basis increased 21.1%, operating margin on a reported currency basis increased 0.6 percentage points, sales on a reported currency basis increased 6.6%, comparable store sales on a reported currency basis increased 7.4%, comparable pharmacy sales on a reported currency basis increased 6.8%, comparable retail sales on a reported currency basis increased 7.7%, Boots UK comparable pharmacy sales on a reported currency basis increased 7.3% and Boots UK comparable retail sales on a reported currency basis increased 7.1%.
10. Pharmaceutical Wholesale segment GAAP 3Q18 results, dollars in millions: operating income \$176, and operating margin 2.1% – see appendix. In 3Q18 compared to the prior year quarter, the division's operating income on a reported currency basis decreased 12.0%, operating margin on a reported currency basis decreased 0.1 percentage points, sales on a reported currency basis increased 12.6%, and comparable sales excluding acquisitions and dispositions on a reported currency basis increased 12.6%.
11. Comparable sales are defined as sales excluding acquisitions and dispositions.
12. Pharmaceutical Wholesale adjusted operating income includes adjusted equity earnings in AmerisourceBergen, which were \$112 million and \$101 million in the three months ended May 31, 2018 and three months ended May 31, 2017 respectively. See appendix for details. Pharmaceutical Wholesale adjusted operating margin has been calculated excluding adjusted equity earnings in AmerisourceBergen.
13. Working capital includes changes in the following operating assets and liabilities: accounts receivable net, inventories, other current assets, trade accounts payable, and accrued expenses and other liabilities.



Appendix

The following information provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). The company has provided the non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These supplemental non-GAAP financial measures are presented because management has evaluated the company's financial results both including and excluding the adjusted items or the effects of foreign currency translation, as applicable, and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the company's business from period to period and trends in the company's historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented in the presentation. The company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis (including the information under Fiscal year 2018 guidance) where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the company's control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.

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

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



Reconciliation of Non-GAAP financial measures

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

NET EARNINGS	Three months ended May 31,		Change vs. 3Q17		Nine months ended May 31,		Change vs. FY17	
	2018	2017	Amount	Percent	2018	2017	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,342	\$ 1,162	\$ 180	15.5%	\$ 3,512	\$ 3,276	\$ 236	7.2%
Adjustments to operating income:								
Acquisition-related amortization	131	83			329	247		
Acquisition-related costs	57	29			173	75		
LIFO provision	69	97			166	204		
Adjustments to equity earnings in AmerisourceBergen	60	17			136	95		
Certain legal and regulatory accruals and settlements	5	—			120	—		
Hurricane-related costs	—	—			83	—		
Store optimization	24	—			24	—		
Cost transformation	—	171			—	592		
Asset recovery	—	—			(15)	—		
Total adjustments to operating income	346	397			1,016	1,213		
Adjustments to other income (expense):								
Impairment of equity method investment	8	—			178	—		
Net investment hedging (gain) loss	(3)	1			(36)	15		
Total adjustments to other income (expense)	5	1			142	15		
Adjustments to interest expense, net:								
Prefunded acquisition financing costs	—	34			29	123		
Total adjustments to interest expense, net	—	34			29	123		
Adjustments to income tax provision:								
U.S. tax law changes ¹	(140)	—			44	—		
Equity method non-cash tax	8	24			19	34		
UK tax rate change ¹	—	—			—	(77)		
Tax impact of adjustments ²	(39)	(177)			(224)	(466)		
Total adjustments to income tax provision	(171)	(153)			(161)	(509)		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,522	\$ 1,441	\$ 81	5.6%	\$ 4,538	\$ 4,118	\$ 420	10.2%

¹ Discrete tax-only items.

² Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments.



Reconciliation of Non-GAAP financial measures

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

DILUTED NET EARNINGS PER SHARE

	Three months ended May 31,		Change vs. 3Q17		Nine months ended May 31,		Change vs. FY17	
	2018	2017	Amount	Percent	2018	2017	Amount	Percent
Diluted net earnings per common share (GAAP)	\$ 1.35	\$ 1.07	\$ 0.28	26.2%	\$ 3.51	\$ 3.02	\$ 0.49	16.2%
Adjustments to operating income	0.35	0.37			1.02	1.12		
Adjustments to other income (expense)	0.01	—			0.14	0.01		
Adjustments to interest expense, net	—	0.03			0.03	0.11		
Adjustments to income tax provision	(0.18)	(0.14)			(0.16)	(0.47)		
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 1.53	\$ 1.33	\$ 0.20	15.0%	\$ 4.54	\$ 3.79	\$ 0.75	19.8%
Weighted average common shares outstanding, diluted	995.3	1,082.6			1,000.6	1,085.5		



Reconciliation of Non-GAAP financial measures

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

GROSS PROFIT BY DIVISION

	Three months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 6,029	\$ 1,215	\$ 536	\$ —	\$ 7,780
Acquisition-related amortization	6	—	—	—	6
LIFO provision	69	—	—	—	69
Adjusted gross profit (Non-GAAP measure)	\$ 6,104	\$ 1,215	\$ 536	\$ —	\$ 7,855
Sales	\$ 25,917	\$ 2,995	\$ 5,965	\$ (543)	\$ 34,334
Gross margin (GAAP)	23.3%	40.6%	9.0%		22.7%
Adjusted gross margin (Non-GAAP measure)	23.6%	40.6%	9.0%		22.9%

	Three months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 5,507	\$ 1,148	\$ 491	\$ (1)	\$ 7,145
LIFO provision	97	—	—	—	97
Cost transformation	61	—	—	—	61
Adjusted gross profit (Non-GAAP measure)	\$ 5,665	\$ 1,148	\$ 491	\$ (1)	\$ 7,303
Sales	\$ 22,528	\$ 2,809	\$ 5,296	\$ (515)	\$ 30,118
Gross margin (GAAP)	24.4%	40.9%	9.3%		23.7%
Adjusted gross margin (Non-GAAP measure)	25.1%	40.9%	9.3%		24.2%



Reconciliation of Non-GAAP financial measures

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

GROSS PROFIT BY DIVISION

	Nine months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 17,898	\$ 3,733	\$ 1,590	\$ (4)	\$ 23,217
Acquisition-related amortization	14	—	—	—	14
LIFO provision	166	—	—	—	166
Hurricane-related costs	43	—	—	—	43
Adjusted gross profit (Non-GAAP measure)	\$ 18,121	\$ 3,733	\$ 1,590	\$ (4)	\$ 23,440
Sales	\$ 72,884	\$ 9,395	\$ 17,438	\$ (1,622)	\$ 98,095
Gross margin (GAAP)	24.6%	39.7%	9.1%		23.7%
Adjusted gross margin (Non-GAAP measure)	24.9%	39.7%	9.1%		23.9%

	Nine months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 16,822	\$ 3,527	\$ 1,478	\$ (5)	\$ 21,822
LIFO provision	204	—	—	—	204
Cost transformation	61	—	—	—	61
Adjusted gross profit (Non-GAAP measure)	\$ 17,087	\$ 3,527	\$ 1,478	\$ (5)	\$ 22,087
Sales	\$ 65,001	\$ 8,872	\$ 15,743	\$ (1,551)	\$ 88,065
Gross margin (GAAP)	25.9%	39.8%	9.4%		24.8%
Adjusted gross margin (Non-GAAP measure)	26.3%	39.8%	9.4%		25.1%



Reconciliation of Non-GAAP financial measures

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Three months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,776	\$ 1,043	\$ 412	\$ —	\$ 6,231
Acquisition-related amortization	(78)	(26)	(21)	—	(125)
Acquisition-related costs	(57)	—	—	—	(57)
Certain legal and regulatory accruals and settlements	(5)	—	—	—	(5)
Store optimization	(24)	—	—	—	(24)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,612	\$ 1,017	\$ 391	\$ —	\$ 6,020
Sales	\$ 25,917	\$ 2,995	\$ 5,965	\$ (543)	\$ 34,334
Selling, general and administrative expenses percent to sales (GAAP)	18.4%	34.8%	6.9%		18.1%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.8%	34.0%	6.6%		17.5%

	Three months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,337	\$ 1,006	\$ 375	(6)	\$ 5,712
Acquisition-related amortization	(38)	(25)	(20)	—	(83)
Acquisition-related costs	(29)	—	—	—	(29)
Cost transformation	(68)	(26)	(16)	—	(110)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,202	\$ 955	\$ 339	(6)	\$ 5,490
Sales	\$ 22,528	\$ 2,809	\$ 5,296	\$ (515)	\$ 30,118
Selling, general and administrative expenses percent to sales (GAAP)	19.3%	35.8%	7.1%		19.0%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	18.7%	34.0%	6.4%		18.2%



Reconciliation of Non-GAAP financial measures

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Nine months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 14,117	\$ 3,125	\$ 1,219	\$ (5)	\$ 18,456
Acquisition-related amortization	(172)	(80)	(63)	—	(315)
Acquisition-related costs	(173)	—	—	—	(173)
Certain legal and regulatory accruals and settlements	(120)	—	—	—	(120)
Hurricane-related costs	(40)	—	—	—	(40)
Store optimization	(24)	—	—	—	(24)
Asset recovery	15	—	—	—	15
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 13,603	\$ 3,045	\$ 1,156	\$ (5)	\$ 17,799
Sales	\$ 72,884	\$ 9,395	\$ 17,438	\$ (1,622)	\$ 98,095
Selling, general and administrative expenses percent to sales (GAAP)	19.4%	33.3%	7.0%		18.8%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	18.7%	32.4%	6.6%		18.1%

	Nine months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 13,427	\$ 3,005	\$ 1,096	\$ (6)	\$ 17,522
Acquisition-related amortization	(113)	(75)	(59)	—	(247)
Acquisition-related costs	(75)	—	—	—	(75)
Cost transformation	(456)	(51)	(24)	—	(531)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 12,783	\$ 2,879	\$ 1,013	\$ (6)	\$ 16,669
Sales	\$ 65,001	\$ 8,872	\$ 15,743	\$ (1,551)	\$ 88,065
Selling, general and administrative expenses percent to sales (GAAP)	20.7%	33.9%	7.0%		19.9%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	19.7%	32.5%	6.4%		18.9%



Reconciliation of Non-GAAP financial measures

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

EQUITY EARNINGS IN AMERISOURCEBERGEN

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	2018	2017
Equity earnings in AmerisourceBergen (GAAP)	\$ 52	\$ 84	\$ 142	\$ 143
Litigation settlements and other	7	2	185	7
Acquisition-related amortization	30	29	87	80
Loss on previously held equity interest	11	—	11	—
Asset impairment	8	—	8	—
Early debt extinguishment	—	—	5	—
PharMEDium remediation costs	4	—	4	—
Change in fair market value of AmerisourceBergen warrants	—	—	—	29
LIFO provision	—	(14)	(12)	(21)
U.S. tax law changes	—	—	(152)	—
Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 112	\$ 101	\$ 278	\$ 238



Reconciliation of Non-GAAP financial measures

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

OPERATING INCOME BY DIVISION

	Three months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 1,253	\$ 172	\$ 176	\$ —	\$ 1,601
Acquisition-related amortization	84	26	21	—	131
Acquisition-related costs	57	—	—	—	57
LIFO provision	69	—	—	—	69
Adjustments to equity earnings in AmerisourceBergen	—	—	60	—	60
Certain legal and regulatory accruals and settlements	5	—	—	—	5
Store optimization	24	—	—	—	24
Adjusted operating income (Non-GAAP measure)	\$ 1,492	\$ 198	\$ 257	\$ —	\$ 1,947
Sales	\$ 25,917	\$ 2,995	\$ 5,965	\$ (543)	\$ 34,334
Operating margin (GAAP) ²	4.8%	5.7%	2.1%		4.5%
Adjusted operating margin (Non-GAAP measure) ²	5.8%	6.6%	2.4%		5.3%

	Three months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 1,170	\$ 142	\$ 200	\$ 5	\$ 1,517
Acquisition-related amortization	38	25	20	—	83
Acquisition-related costs	29	—	—	—	29
LIFO provision	97	—	—	—	97
Adjustments to equity earnings in AmerisourceBergen	—	—	17	—	17
Cost transformation	129	26	16	—	171
Adjusted operating income (Non-GAAP measure)	\$ 1,463	\$ 193	\$ 253	\$ 5	\$ 1,914
Sales	\$ 22,528	\$ 2,809	\$ 5,296	\$ (515)	\$ 30,118
Operating margin (GAAP) ²	5.2%	5.1%	2.2%		4.8%
Adjusted operating margin (Non-GAAP measure) ²	6.5%	6.9%	2.9%		6.0%

¹ Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the three month period ended May 31, 2018 includes AmerisourceBergen equity earnings for the period of January 1, 2018 through March 31, 2018. Operating income for the three month period ended May 31, 2017 includes AmerisourceBergen equity earnings for the periods of January 1, 2017 through March 31, 2017.

² Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.



Reconciliation of Non-GAAP financial measures

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

OPERATING INCOME BY DIVISION

	Nine months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 3,781	\$ 608	\$ 513	\$ 1	\$ 4,903
Acquisition-related amortization	186	80	63	—	329
Acquisition-related costs	173	—	—	—	173
LIFO provision	166	—	—	—	166
Adjustments to equity earnings in AmerisourceBergen	—	—	136	—	136
Certain legal and regulatory accruals and settlements	120	—	—	—	120
Hurricane-related costs	83	—	—	—	83
Store optimization	24	—	—	—	24
Asset recovery	(15)	—	—	—	(15)
Adjusted operating income (Non-GAAP measure)	\$ 4,518	\$ 688	\$ 712	\$ 1	\$ 5,919
Sales	\$ 72,884	\$ 9,395	\$ 17,438	\$ (1,622)	\$ 98,095
Operating margin (GAAP) ²	5.2%	6.5%	2.1%		4.9%
Adjusted operating margin (Non-GAAP measure) ²	6.2%	7.3%	2.5%		5.8%

	Nine months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 3,395	\$ 522	\$ 525	\$ 1	\$ 4,443
Acquisition-related amortization	113	75	59	—	247
Acquisition-related costs	75	—	—	—	75
LIFO provision	204	—	—	—	204
Adjustments to equity earnings in AmerisourceBergen	—	—	95	—	95
Cost transformation	517	51	24	—	592
Adjusted operating income (Non-GAAP measure)	\$ 4,304	\$ 648	\$ 703	\$ 1	\$ 5,656
Sales	\$ 65,001	\$ 8,872	\$ 15,743	\$ (1,551)	\$ 88,065
Operating margin (GAAP) ²	5.2%	5.9%	2.4%		4.9%
Adjusted operating margin (Non-GAAP measure) ²	6.6%	7.3%	3.0%		6.2%

¹ Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the nine month period ended May 31, 2018 includes AmerisourceBergen equity earnings for the period of July 1, 2017 through March 31, 2018. Operating income for the nine month period ended May 31, 2017 includes AmerisourceBergen equity earnings for the period of July 1, 2016 through March 31, 2017.

² Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.



Reconciliation of Non-GAAP financial measures

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

ADJUSTED EFFECTIVE TAX RATE¹

	Three months ended May 31, 2018			Three months ended May 31, 2017		
	Earnings before income tax provision	Income tax	Effective tax rate	Earnings before income tax provision	Income tax	Effective tax rate
Effective tax rate (GAAP)	\$ 1,440	\$ 109	7.6%	\$ 1,354	\$ 168	12.4%
Impact of non-GAAP adjustments	351	71		432	97	
U.S. tax law changes	—	140		—	—	
Equity method non-cash	—	(8)		—	(24)	
Adjusted tax rate true-up	—	(32)		—	80	
Subtotal	\$ 1,791	\$ 280		\$ 1,786	\$ 321	
Exclude adjusted equity earnings in AmerisourceBergen	(112)	—		(101)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 1,679	\$ 280	16.7%	\$ 1,685	\$ 321	19.1%

¹ A change to the presentation of this table was made to reflect the tax impact of non-GAAP excluded items as a single adjustment for the three months ended May 31, 2018 and 2017. No change in calculation methodology was made.



Reconciliation of Non-GAAP financial measures

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

ADJUSTED EFFECTIVE TAX RATE¹

	Nine months ended May 31, 2018			Nine months ended May 31, 2017		
	Earnings before income tax provision	Income tax	Effective tax rate	Earnings before income tax provision	Income tax	Effective tax rate
Effective tax rate (GAAP)	\$ 4,314	\$ 839	19.4%	\$ 3,921	\$ 634	16.2%
Impact of non-GAAP adjustments	1,187	213		1,351	319	
U.S. tax law changes	—	(44)		—	—	
Equity method non-cash	—	(19)		—	(34)	
UK tax rate change	—	—		—	77	
Adjusted tax rate true-up	—	11		—	147	
Subtotal	\$ 5,501	\$ 1,000		\$ 5,272	\$ 1,143	
Exclude adjusted equity earnings in AmerisourceBergen	(278)	—		(238)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 5,223	\$ 1,000	19.1%	\$ 5,034	\$ 1,143	22.7%

¹ A change to the presentation of this table was made to reflect the tax impact of non-GAAP excluded items as a single adjustment for the nine months ended May 31, 2018 and 2017. No change in calculation methodology was made.



Reconciliation of Non-GAAP financial measures

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

FREE CASH FLOW

	Three months ended May 31,		Nine months ended May 31,	
	2018	2017	2018	2017
Net cash provided by operating activities (GAAP)	\$ 2,209	\$ 1,855	\$ 5,385	\$ 5,237
Less: Additions to property, plant and equipment	(317)	(273)	(983)	(912)
Free cash flow (Non-GAAP measure)¹	\$ 1,892	\$ 1,582	\$ 4,402	\$ 4,325

¹ Free cash flow is defined as net cash provided by operating activities in a period less additions to property, plant and equipment (capital expenditures) made in that period. This measure does not represent residual cash flows available for discretionary expenditures as the measure does not deduct the payments required for debt service and other contractual obligations or payments for future business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our entire statements of cash flows.



Historical adjusted SG&A expense

Retail Pharmacy USA Supplemental Information (unaudited)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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



Historical adjusted SG&A expense

Retail Pharmacy USA¹
Supplemental Information (unaudited)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

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



Rite Aid store optimization and conversion¹

Store optimization program¹:

- 600 store closures commenced in March 2018 and are expected to take place over an 18 month period
- estimated cost ~\$450 million
- costs savings ~\$300 million per annum by end of FY20

Integration and rebranding within 3 years¹:

- acquisition-related costs ~\$750 million
- incremental capex ~\$500 million
- annual synergies of over \$300 million within 4 years of initial closing



Certain assumptions and supplemental information

Unless otherwise indicated or the context otherwise requires:

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

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

