



Walgreens Boots Alliance

Fiscal 2018 First Quarter Results

4 January 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 financial and operating performance, as well as forward-looking statements concerning the expected execution and effect of our business strategies, our cost-savings and growth 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,” “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, changes in management’s assumptions, changes in economic and business conditions generally or in particular markets in which we participate, changes in financial markets 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, 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 ability of the parties to satisfy the closing conditions and consummate the phased acquisition of certain assets pursuant to our amended and restated asset purchase agreement with Rite Aid on a timely basis or at all, 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 recent 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, 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 16 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.



Highlights



Walgreens Boots Alliance

Strong business performance

\$6 billion share repurchase program completed

Rite Aid store acquisitions underway¹

Agreement to acquire 40% minority stake in Chinese retail pharmacy chain GuoDa¹

Raised lower end of FY18 guidance by 5 cents¹



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Refer to footnotes on page 16

1Q financial highlights



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\$ in millions (except EPS & % change)		1Q18	Reported Δ vs. 1Q17	Constant currency ² Δ vs. 1Q17
Sales		\$30,740	+ 7.9%	+ 7.2%
Operating income:	GAAP	\$1,322	- 8.6%	
	Adjusted³	\$1,809	+ 4.8%	+ 4.4%
Net earnings⁴:	GAAP	\$821	- 22.1%	
	Adjusted³	\$1,295	+ 7.8%	+ 7.2%
Diluted net EPS⁴:	GAAP	\$0.81	- 16.5%	
	Adjusted³	\$1.28	+ 16.4%	+ 15.5%



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Retail Pharmacy USA - 1Q financials



<i>\$ in millions (except %)</i>	1Q18	Δ vs. 1Q17
Sales	\$22,489	+ 8.9%
Comparable store sales⁵		+ 4.7%
Adjusted gross profit^{3,6}	\$5,699	+ 3.7%
Adjusted SG&A % of sales^{3,6}	19.2%	- 1.2%p
Adjusted operating margin^{3,6}	6.1%	- 0.1%p
Adjusted operating income^{3,6}	\$1,377	+ 6.8%



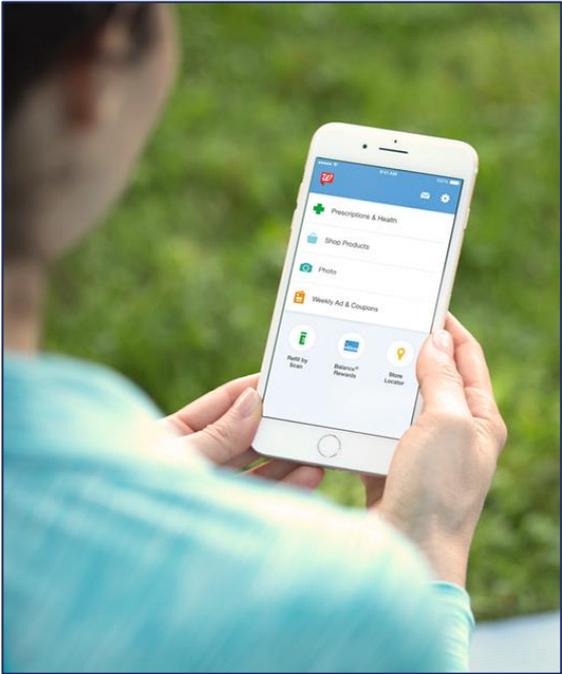
Retail Pharmacy USA - pharmacy



1Q18 vs. 1Q17	Total	Comparable ⁵
Pharmacy sales	+ 14.1%	+ 7.4%
Prescriptions ⁷	+ 9.5%	+ 8.9%

Exceeded one billion prescriptions filled on a rolling annual basis for the first time⁷

Market share up approx. 110 bps to 20.6%⁸



Refer to footnotes on page 16

Retail Pharmacy USA - retail

1Q18 vs. 1Q17



Total retail sales down 2.8%

Comparable retail sales down 0.9%⁵

- focus on delivering improved margins
- decline in consumables & general merchandise and personal care
- growth in health & wellness and beauty

Sixth consecutive quarter of comparable sales growth in health & wellness and beauty



Retail Pharmacy USA - beauty differentiation



Strong beauty differentiation performance

Enhanced beauty offering in ~2,900 stores

Beauty category sales helped drive higher retail gross margins and comparable retail sales

Your Good Skin in all beauty differentiation stores

No7 and Soap & Glory in over 4,400 stores



Rite Aid and store optimization¹



Store acquisitions¹:

- 97 in 1Q and 260 in December
- completion anticipated spring 2018

Store optimization program¹:

- 600 store closures over 18 months
- estimated cost ~\$450 million
- costs savings ~\$300 million per annum by FYE20

Integration and rebranding within 3 years¹:

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



Retail Pharmacy International - 1Q financials



\$ in millions (except %)	1Q18	Constant currency ² Δ vs. 1Q17
Sales⁹	\$3,083	- 0.8%
Comparable store sales^{5,9}		- 0.7%

Comparable pharmacy sales down 0.1%^{2,5,9}
 - Boots UK up 0.1%^{2,5,9}

Comparable retail sales down 1.0%^{2,5,9}
 - Boots UK down 1.4%^{2,5,9}



Retail Pharmacy International - 1Q financials



\$ in millions (except %)	1Q18	Constant currency ² Δ vs. 1Q17
Sales⁹	\$3,083	- 0.8%
Comparable store sales^{5,9}		- 0.7%
Adjusted gross profit^{3,9}	\$1,224	- 0.8%
Adjusted SG&A % of sales^{3,9}	32.9%	+ 0.3%p
Adjusted operating margin^{3,9}	6.8%	- 0.4%p
Adjusted operating income^{3,9}	\$210	- 5.6%



Pharmaceutical Wholesale - 1Q financials



\$ in millions (except %)	1Q18	Constant currency ² Δ vs. 1Q17
Sales¹⁰	\$5,718	+ 4.5%
Comparable sales^{10,11}		+ 4.5%
Adjusted operating margin^{3,10,12}	2.6%	- 0.5%p
Adjusted operating income^{3,10,12}	\$224	+ 0.4%



Refer to footnotes on page 16



1Q capital allocation



Walgreens Boots Alliance

Operating cash flow: \$961 million

Working capital outflow¹³: \$745 million

- substantially lower due to reduced US inventory days

Cash capital expenditure: \$378 million

- investment in core customer proposition
- includes stores, US beauty and IT

Free cash flow³: \$583 million



Refer to footnotes on page 16



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Fiscal year 2018 guidance¹



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Raised the lower end of FY18 guidance range¹

Anticipated adjusted diluted net EPS^{1,3}
\$5.45 – \$5.70

Guidance assumes¹:

- current exchange rates rest of fiscal year**
- no significant impact from Rite Aid**
- does not take into account any impact from the recent changes to US tax law**



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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)



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Refer to footnotes on page 16

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 1Q18 results, dollars in millions: gross profit \$5,602, selling general and administrative expenses \$4,476, SG&A as a percent of sales 19.9%, operating income \$1,126, and operating margin 5.0% – see appendix.
7. Retail Pharmacy USA Pharmacy prescriptions (including immunizations) are reported on a 30 day equivalent basis.
8. Based on data from IMS Health (as of 30 November 2017).
9. Retail Pharmacy International segment GAAP 1Q18 results, dollars in millions: gross profit \$1,224, selling general and administrative expenses \$1,040, SG&A as a percent of sales 33.7%, operating income \$184, and operating margin 6.0% – see appendix. In 1Q18 compared to the prior year quarter, the division's gross profit on a reported currency basis increased 4.2%, selling general and administrative expense on a reported currency basis increased 4.7%, selling general and administrative expense as a percent of sales on a reported currency basis increased 0.2 percentage points, operating income on a reported currency basis increased 1.1%, operating margin on a reported currency basis decreased 0.1 percentage points, sales on a reported currency basis increased 4.1%, comparable store sales on a reported currency basis increased 4.2%, comparable pharmacy sales on a reported currency basis increased 4.7%, comparable retail sales on a reported currency basis increased 4.0%, Boots UK comparable pharmacy sales on a reported currency basis increased 4.7% and Boots UK comparable retail sales on a reported currency basis increased 3.4%.
10. Pharmaceutical Wholesale segment GAAP 1Q18 results, dollars in millions: operating income \$14, and operating margin 2.2% – see appendix. In 1Q18 compared to the prior year quarter, the division's operating income on a reported currency basis decreased 91.3%, operating margin on a reported currency basis decreased 0.4 percentage points, sales on a reported currency basis increased 5.6%, and comparable sales excluding acquisitions and dispositions on a reported currency basis increased 5.6%.
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 \$77 million and \$58 million in the three months ended November 30, 2017 and three months ended November 30, 2016 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 November 30,		Change vs. 1Q17	
	2017	2016	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 821	\$ 1,054	\$ (233)	(22.1)%
Adjustments to operating income:				
Adjustments to equity earnings in AmerisourceBergen	189	41		
Acquisition-related amortization	85	82		
Hurricane-related costs	83	—		
LIFO provision	54	58		
Acquisition-related costs	51	17		
Legal settlement	25	—		
Cost transformation	—	81		
Total adjustments to operating income	487	279		
Adjustments to other income (expense):				
Impairment of equity method investment	170	—		
Net investment hedging gain	(34)	(1)		
Total adjustments to other income (expense)	136	(1)		
Adjustments to interest expense, net:				
Prefunded acquisition financing costs	24	41		
Total adjustments to interest expense, net	24	41		
Adjustments to income tax provision:				
United Kingdom tax rate change ¹	—	(77)		
Equity method non-cash tax	(50)	2		
Tax impact of adjustments ²	(123)	(97)		
Total adjustments to income tax provision	(173)	(172)		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,295	\$ 1,201	\$ 94	7.8 %



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¹ Discrete tax-only items.

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Reconciliation of Non-GAAP financial measures

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

DILUTED NET EARNINGS PER SHARE

	Three months ended November 30,		Change vs. 1Q17	
	2017	2016	Amount	Percent
Diluted net earnings per common share (GAAP)	\$ 0.81	\$ 0.97	\$ (0.16)	(16.5)%
Adjustments to operating income	0.48	0.25		
Adjustments to other income (expense)	0.13	—		
Adjustments to interest expense, net	0.02	0.04		
Adjustments to income tax provision	(0.16)	(0.16)		
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 1.28	\$ 1.10	\$ 0.18	16.4 %
Weighted average common shares outstanding, diluted	1,011.1	1,088.3		



Reconciliation of Non-GAAP financial measures

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

GROSS PROFIT BY DIVISION

	Three months ended November 30, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 5,602	\$ 1,224	\$ 522	\$ (7)	\$ 7,341
Hurricane-related costs	43	—	—	—	43
LIFO provision	54	—	—	—	54
Adjusted gross profit (Non-GAAP measure)	\$ 5,699	\$ 1,224	\$ 522	\$ (7)	\$ 7,438
Sales	\$ 22,489	\$ 3,083	\$ 5,718	\$ (550)	\$ 30,740
Gross margin (GAAP)	24.9%	39.7%	9.1%		23.9%
Adjusted gross margin (Non-GAAP measure)	25.3%	39.7%	9.1%		24.2%

	Three months ended November 30, 2016				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 5,439	\$ 1,175	\$ 502	\$ —	\$ 7,116
LIFO provision	58	—	—	—	58
Adjusted gross profit (Non-GAAP measure)	\$ 5,497	\$ 1,175	\$ 502	\$ —	\$ 7,174
Sales	\$ 20,659	\$ 2,962	\$ 5,417	\$ (537)	\$ 28,501
Gross margin (GAAP)	26.3%	39.7%	9.3%		25.0%
Adjusted gross margin (Non-GAAP measure)	26.6%	39.7%	9.3%		25.2%



Reconciliation of Non-GAAP financial measures

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Three months ended November 30, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,476	\$ 1,040	\$ 396	\$ (5)	\$ 5,907
Acquisition-related amortization	(38)	(26)	(21)	—	(85)
Hurricane-related costs	(40)	—	—	—	(40)
Acquisition-related costs	(51)	—	—	—	(51)
Legal settlement	(25)	—	—	—	(25)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,322	\$ 1,014	\$ 375	\$ (5)	\$ 5,706
Sales	\$ 22,489	\$ 3,083	\$ 5,718	\$ (550)	\$ 30,740
Selling, general and administrative expenses percent to sales (GAAP)	19.9%	33.7%	6.9%		19.2%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	19.2%	32.9%	6.6%		18.6%

	Three months ended November 30, 2016				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,334	\$ 993	\$ 359	—	\$ 5,686
Acquisition-related amortization	(37)	(25)	(20)	—	(82)
Acquisition-related costs	(17)	—	—	—	(17)
Cost transformation	(72)	(6)	(3)	—	(81)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,208	\$ 962	\$ 336	—	\$ 5,506
Sales	\$ 20,659	\$ 2,962	\$ 5,417	\$ (537)	\$ 28,501
Selling, general and administrative expenses percent to sales (GAAP)	21.0%	33.5%	6.6%		20.0%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	20.4%	32.5%	6.2%		19.3%



Reconciliation of Non-GAAP financial measures

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

EQUITY EARNINGS IN AMERISOURCEBERGEN

	Three months ended November 30,	
	2017	2016
Equity earnings (loss) in AmerisourceBergen (GAAP)	\$ (112)	\$ 17
Litigation settlements and other	173	—
Acquisition-related amortization	28	23
Change in fair market value of AmerisourceBergen warrants	—	30
LIFO provision	(12)	(12)
Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 77	\$ 58



Reconciliation of Non-GAAP financial measures

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

OPERATING INCOME BY DIVISION

	Three months ended November 30, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 1,126	\$ 184	\$ 14	\$ (2)	\$ 1,322
Adjustments to equity earnings in AmerisourceBergen	—	—	189	—	189
Acquisition-related amortization	38	26	21	—	85
Hurricane-related costs	83	—	—	—	83
LIFO provision	54	—	—	—	54
Acquisition-related costs	51	—	—	—	51
Legal settlement	25	—	—	—	25
Adjusted operating income (Non-GAAP measure)	\$ 1,377	\$ 210	\$ 224	\$ (2)	\$ 1,809
Sales	\$ 22,489	\$ 3,083	\$ 5,718	\$ (550)	\$ 30,740
Operating margin (GAAP) ²	5.0%	6.0%	2.2%		4.7%
Adjusted operating margin (Non-GAAP measure) ²	6.1%	6.8%	2.6%		5.6%

	Three months ended November 30, 2016				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 1,105	\$ 182	\$ 160	\$ —	\$ 1,447
Adjustments to equity earnings in AmerisourceBergen	—	—	41	—	41
Acquisition-related amortization	37	25	20	—	82
LIFO provision	58	—	—	—	58
Acquisition-related costs	17	—	—	—	17
Cost transformation	72	6	3	—	81
Adjusted operating income (Non-GAAP measure)	\$ 1,289	\$ 213	\$ 224	\$ —	\$ 1,726
Sales	\$ 20,659	\$ 2,962	\$ 5,417	\$ (537)	\$ 28,501
Operating margin (GAAP) ²	5.3%	6.1%	2.6%		5.0%
Adjusted operating margin (Non-GAAP measure) ²	6.2%	7.2%	3.1%		5.9%

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 November 30, 2017 includes AmerisourceBergen equity earnings for the period of July 1, 2017 through September 30, 2017. Operating income for the three month period ended November 30, 2016 includes AmerisourceBergen equity earnings for the period of July 1, 2016 to September 30, 2016.

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



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Reconciliation of Non-GAAP financial measures

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

ADJUSTED EFFECTIVE TAX RATE¹

	Three months ended November 30, 2017			Three months ended November 30, 2016		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 1,036	\$ 227	21.9%	\$ 1,275	\$ 220	17.3%
Impact of non-GAAP adjustments	647	103		319	103	
United Kingdom tax rate change	—	—		—	77	
Equity method non-cash	—	50		—	(2)	
Adjusted tax rate true-up	—	20		—	(6)	
Subtotal	\$ 1,683	\$ 400		\$ 1,594	\$ 392	
Exclude adjusted equity earnings in AmerisourceBergen	(77)	—		(58)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 1,606	\$ 400	24.9%	\$ 1,536	\$ 392	25.5%



Reconciliation of Non-GAAP financial measures

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

FREE CASH FLOW

	Three months ended November 30,	
	2017	2016
Net cash provided by operating activities (GAAP)	\$ 961	\$ 525
Less: Additions to property, plant and equipment	(378)	(378)
Free cash flow (Non-GAAP measure)¹	\$ 583	\$ 147

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 USA¹
Supplemental Information (unaudited)
(in millions)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2012		2013				2014				2015				2016				2017				2018
	4Q	1Q	2Q	3Q	4Q	1Q																	
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	\$ 4,417	\$ 4,466	\$ 4,434	\$ 4,601	\$ 4,334	\$ 4,756	\$ 4,337	\$ 4,828	\$ 4,476	
Acquisition-related amortization	(70)	(74)	(75)	(67)	(73)	(70)	(73)	(71)	(68)	(67)	(59)	(52)	(52)	(50)	(47)	(46)	(42)	(37)	(38)	(38)	(39)	(38)	
Hurricane-related costs	—	(39)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(40)	
Acquisition-related costs	(50)	(37)	(21)	(27)	(24)	(25)	(17)	(20)	(20)	(24)	(52)	(4)	—	(34)	(33)	(15)	(20)	(17)	(29)	(29)	(399)	(51)	
Legal settlement	—	—	—	(28)	—	—	—	—	—	—	—	—	—	—	—	—	(47)	—	—	—	—	(25)	
Asset (impairment) recovery	—	—	—	—	—	—	—	—	—	—	(110)	—	—	—	(30)	—	—	—	—	—	11	—	
Cost transformation	—	—	—	—	—	—	—	—	—	—	—	(151)	(372)	(85)	(25)	(60)	(204)	(72)	(316)	(68)	(186)	—	
Store closures & optimization costs	—	—	—	—	—	(19)	(2)	(99)	(139)	(28)	(16)	(7)	(5)	—	—	—	—	—	—	—	—	—	
(Loss)/Gain on sale of business	—	—	—	—	—	—	—	—	9	—	—	(12)	(5)	—	—	—	—	—	—	—	—	—	
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	\$ 4,248	\$ 4,331	\$ 4,313	\$ 4,288	\$ 4,208	\$ 4,373	\$ 4,202	\$ 4,215	\$ 4,322	
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	\$20,370	\$21,500	\$21,185	\$20,747	\$20,659	\$21,814	\$22,528	\$22,301	\$22,489	
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%	21.7%	20.8%	20.9%	22.2%	21.0%	21.8%	19.3%	21.6%	19.9%	
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%	20.9%	20.1%	20.4%	20.7%	20.4%	20.0%	18.7%	18.9%	19.2%	
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	-1.3%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	

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.



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.

