



Walgreens Boots Alliance

Fiscal 2020 Second Quarter Results

April 2, 2020

Safe harbor and non-GAAP

Cautionary Note Regarding Forward-Looking Statements: 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 and our fiscal year 2020 guidance and related assumptions and drivers, as well as forward-looking statements concerning the expected execution and effect of our business strategies, our cost-savings and growth initiatives, pilot programs, strategic partnerships and initiatives, restructuring activities and the amounts and timing of their expected impact, including statements relating to our expected cost savings under our Store Optimization and Transformational Cost Management programs, and the potential impacts on our business of the spread and impact of the COVID-19 outbreak are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements in the future tense and all statements accompanied by words such as “expect,” “likely,” “outlook,” “forecast,” “preliminary,” “pilot,” “would,” “could,” “should,” “can,” “will,” “project,” “intend,” “plan,” “goal,” “guidance,” “target,” “aim,” “continue,” “sustain,” “synergy,” “transform,” “accelerate,” “model,” “long-term,” “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 inherent risks, challenges and uncertainties associated with forecasting financial results of large, complex organizations in rapidly evolving industries, particularly over longer time periods, the arrangements and transactions contemplated by our agreements with AmerisourceBergen and their possible effects, circumstances 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 restructuring initiatives 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 relating to the spread and impact of COVID-19, 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, the risks associated with governance and control matters, the ability to retain key personnel, 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 relating to the terms, timing, and magnitude of any share repurchase activity, the risks associated with international business operations, including the risks associated with the proposed withdrawal of the United Kingdom from the European Union and international trade policies, tariffs, including tariff negotiations between the United States and China, and relations, risks associated with cybersecurity or privacy breaches related to customer information, 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 related to competition, including changes in market dynamics, participants, product and service offerings, retail formats and competitive positioning, risks associated with new business areas and activities, risks associated with acquisitions, divestitures, joint ventures and strategic investments, including those relating to the asset acquisition from Rite Aid, the risks associated with the integration of complex businesses, regulatory restrictions and outcomes of legal and regulatory matters, and risks associated with changes in laws, including those related to the December 2017 U.S. tax law changes, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended August 31, 2019 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.

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, including all measures whose label includes the words “adjusted”, “constant currency”, or “free cash flow” or variations of such words and similar expressions, and we refer you to the endnotes on page 22 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.

These presentation materials, the appendix hereto and the related management presentation are integrally related and are intended to be presented, considered and understood together.



Overview



Walgreens Boots Alliance

- **Top priority of our team members is to serve our patients and customers, especially during this extraordinary time**
- **Improved 2Q performance, especially RPU comparable sales**
- **Continue to make progress against four strategic priorities**
 - **Accelerate digitalization of company**
 - **Transform and restructure retail offering**
 - **Create neighbourhood health destinations around a modern pharmacy**
 - **Transformational Cost Management Program**
- **Prior to COVID-19 pandemic, company was on track to maintain FY20 guidance**
 - **Future impacts of COVID-19 uncertain**



2Q financial highlights



Walgreens Boots Alliance

- **Adjusted EPS \$1.52, -7.3% lower than prior year in constant currency**
- **RPU improved pharmacy and retail comparable sales performance**
- **Retail market remains challenging in the UK**
- **Pharmaceutical Wholesale delivered continued sales & AOI growth**
- **Transformational Cost Management Program**
 - **on track to achieve annual cost savings in excess of \$1.8bn by FY22**
- **Before COVID-19 pandemic, high confidence to maintain FY20 adj. EPS constant currency guidance flat (range +/- 3%)**
 - **Future impacts of COVID-19 uncertain**
 - **2Q financial performance exceeded our expectations**



Walgreens Boots Alliance

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Refer to safe harbor and non-GAAP on page 2 and endnotes on page 22

2Q financial highlights



Walgreens Boots Alliance

\$ in millions (except EPS and % change)		2Q20	Reported currency Δ vs. 2Q19	Constant currency Δ vs. 2Q19
Sales		\$35,820	+ 3.7%	+ 4.1%
Operating income:	GAAP	\$1,233	- 18.7%	
	Adjusted	\$1,703	- 12.0%	- 12.0%
Net earnings:	GAAP	\$946	- 18.2%	
	Adjusted	\$1,343	- 11.8%	- 11.8%
EPS:	GAAP	\$1.07	- 14.0%	
	Adjusted	\$1.52	- 7.3%	- 7.3%



First half FY20 financial highlights



Walgreens Boots Alliance

\$ in millions (except EPS and % change)		1H20	Reported currency Δ vs. 1H19	Constant currency Δ vs. 1H19
Sales		\$70,160	+ 2.7%	+ 3.2%
Operating income:	GAAP	\$2,247	- 23.0%	
	Adjusted	\$3,166	- 13.7%	- 13.6%
Net earnings:	GAAP	\$1,791	- 21.4%	
	Adjusted	\$2,565	- 11.8%	- 11.7%
EPS:	GAAP	\$2.01	- 16.8%	
	Adjusted	\$2.88	- 6.6%	- 6.5%



Retail Pharmacy USA – financials



\$ in millions (except %)	2Q20	Δ vs. 2Q19	1H20	Δ vs. 1H19
Sales	\$27,245	+3.8%	\$53,377	+2.7%
Adj. gross profit	\$5,870	- 3.7%	\$11,622	- 4.3%
Adj. SG&A % of sales	16.9%	0.8%	17.2%	0.7%
Adj. operating margin	4.7%	- 0.9%p	4.5%	- 0.9%p
Adj. operating income	\$1,267	- 12.9%	\$2,423	- 14.5%

- **2Q20 adj. operating income growth negatively impacted by:**
 - reimbursement contract true-up impact of ~**(10%)**
 - year on year bonus impact of ~**(6%)**
 - digitalization and development investments of ~**(1%)**



Retail Pharmacy USA – pharmacy



	2Q Total	2Q Comparable	1H Total	1H Comparable
2Q20 vs. 2Q19				
Pharmacy sales	+ 5.3%	+ 3.7%	+ 4.1%	+ 3.1%
Prescriptions	+ 3.7%	+ 4.9%	+ 2.6%	+ 3.8%

- Improved comp prescription growth: 2Q +4.9% vs 1Q +2.8%
- 2Q market share 21.0%; down 50 bps including impact from store optimization
- 2Q adj. gross margin declined
 - 80 bps specialty impact
 - 60 bps from contract true-up



Retail Pharmacy USA – retail



2Q20 vs. 2Q19	2Q	1H
Total retail sales	- 0.3%	- 1.2%
Comp. retail sales	+ 0.6%	+ 0.1%

- Sequential improvement in comparable sales growth
 - ex-tobacco and e-cigarettes up +1.9%
 - led by growth in Health & Wellness, aided by a favorable cold/cough flu season
 - slightly increased demand associated with COVID-19
- Higher adj. gross margin due to strong Health & Wellness performance



Retail Pharmacy International – financials



\$ in millions (except %)	2Q20	Constant currency Δ vs. 2Q19	1H20	Constant currency Δ vs. 1H19
Sales	\$3,056	- 1.7%	\$5,801	- 2.2%
Adj. operating margin	6.5%	- 1.9%p	4.8%	- 1.8%p
Adj. operating income	\$198	- 24.0%	\$276	- 29.1%
Boots UK comp. pharmacy sales		+ 1.8%		+ 1.3%
Boots UK comp. retail sales		- 4.6%		- 3.8%

- Overall holding share in categories we operate in a declining UK retail market
- Adj. Op. Inc. reflects lower retail sales volume & margin, year on year bonus impact and higher technology investments



Pharmaceutical Wholesale – financials



\$ in millions (except %)	Constant currency		Constant currency	
	2Q20	Δ vs. 2Q19	1H20	Δ vs. 1H19
Sales	\$6,066	+ 8.0%	\$12,072	+ 8.1%
Adj. operating margin	2.2%	- 0.1%p	2.2%	- 0.1%p
Adj. operating income	\$235	+ 5.2%	\$464	+ 5.0%

- Continued strong sales growth, led by emerging markets and the UK
- Adj. Op. Inc. reflects strong revenue performance and a higher contribution from AmerisourceBergen, partially offset by lower gross margin



Cash flow



Walgreens Boots Alliance

\$ in millions	1H20	Δ vs. 1H19
Operating cash flow	\$2,484	\$1,289
Cash capital expenditure	- \$705	\$89
Free cash flow	\$1,779	\$1,378

- **Free cash flow reflects strong working capital performance +\$1.8bn and absence of prior year headwind relating to cash tax payment +\$0.3bn**
- **2Q20 working capital improvement includes some favorable phasing and lapping of prior year legal settlements**
- **Building inventory in key categories to meet customer needs**



Transformational Cost Management Program



On target to deliver in excess of \$1.8 billion in annual cost savings by FY22

- Continue to focus on maximizing value of GNFR vendor contracts
- Streamlined Boots UK field organization
- Store closures: U.S. 116 closed of 200 planned, UK 40 closed of 200 planned
- Progressing on expansion of shared services including transition of IT Run and Operational Services
- Proactively deferring certain activities to focus on managing COVID-19



Smart Spend



Smart Organization



Digitalization



Divisional Optimization



Retail Pharmacy USA – initiatives



Transform and restructure retail offering

- Kroger tiered grocery offering completed in 50 Walgreens stores and 17 Kroger stores with Walgreens health and beauty offering
- New personalized marketing approach, driving +1% lift to total retail sales in 2Q
- Flagship No7 brand grew +7% in U.S.

Create neighborhood health destinations around more modern pharmacy

- Walgreens Express used by over 1 million patients for seamless Rx experience
- VillageMD primary care locations opened in 5 stores in Houston, TX
- UnitedHealthcare opened 4 resource centers, 14 in total by end of CY2020
- LabCorp operating in 109 sites across 12 states

Accelerate digitalization

- Find Care platform 2 million visits, up +40% vs. 1Q20
- Participated in Series A funding of b.well health engagement platform
- Walgreens app now downloaded 62 million times, up +22% vs. last year
- Save A Trip Refills to drive better clinical outcomes, up +4% vs. 1Q20
- Total digitally initiated sales over \$4.1 billion, up +7% vs. last year



Retail Pharmacy International – initiatives



Actions focused on premium beauty and digital acceleration

Transform retail and develop new healthcare service and offerings

Accelerate digitalization

- Strong share gains in premium beauty
 - Good performance in 26 Beauty reinvention stores
 - Introduced 9 new beauty brands in 2Q, taking total to 48
- Accelerating digital healthcare
 - Partnership with LIVI will provide video GP services and access to Boots pharmacy
- Accelerating omnichannel experience
 - Boots app 3 million active users, downloads up +76% in 2Q
 - Successful digitalization of Boots Advantage loyalty card, 1.2 million users
- Boots.com: continued strong sales growth, up +23% in 2Q



COVID-19: Meeting customers and patients needs



- **Ensuring locations remain open and safe**
 - extra in-store cleaning and social distancing measures
 - dedicated U.S. store hours for seniors and care-givers
- **Working to ensure availability of critical products**
 - fast-track products to stores and purchase limits on certain products
- **Expanded use of drive-thru for certain health, cleaning and grocery items**
- **Focus on home delivery to meet changing customer needs**
 - waived delivery fees for eligible prescriptions
 - free delivery on Walgreens.com with no minimum purchase required
 - expansion of Postmates on-demand delivery service to include over 7,000 stores nationwide
 - NHS online repeat prescription service with free delivery in the UK
- **Connecting customers through digital services**
 - 24/7 Pharmacy Chat
 - connection to health care services from local providers and telehealth options
 - Find Care and Boots online pharmacy



COVID-19: Working with government and partners



- Partnering with U.S. government health officials to provide drive-thru testing
- Partnering with NHS in the UK to provide testing for key workers
- Donations to critical services
- Providing health advice to customers on behalf of UK and U.S. governments
- Collaborating with health plans, physicians and governments to provide access to medications
 - including 90-day refills
 - early refill authorizations



COVID-19: Committed and focused moving forward



- **Leveraging our broad community footprint**
 - more convenient access to key essential items
 - broad range of trusted over-the-counter health and wellness products
 - consistent supply of pharmaceuticals to provide customer availability
- **Supporting the health and wellness of our team members**
 - expanded temporary benefits for certain team members
 - introduction of incremental wellbeing and stress management resources
 - distribution of daily care kits to our stores in process
 - adding incremental resources to support growing needs of our customers



Business impacts are fluid & changing rapidly

U.S. customer buying behavior shifting

Walgreens

- increased Rx demand, acceleration of scripts from future periods
- strong initial March front of store sales
- initial gains concentrated in OTC, General Merchandising and Grocery; Beauty, Photo and other discretionary much weaker
- declining sales since introduction of quarantined zones; expect future destocking and foot traffic to moderate

UK quarantine leading to lower sales

Boots UK

- strong initial March front of store sales but turned negative post lockdown
- significant reduction of spend in beauty and lower UK high street footfall
- UK Opticians and Hearingcare businesses largely shutdown
- growth initiatives deferred: No7 new product and rollout of beauty halls
- some positive relief from government (rates and furlough)

Business impacts are fluid & changing rapidly

**Higher expenses
due to needed
operational
flexibility**

- increased store safety, cleaning & sanitation measures
- enhanced temporary employee benefits
- higher supply chain costs (DCs & stores; free on-line shipping)
- deferring select programs & investments to focus on COVID-19

**Providing
availability in select
categories**

- increasing retail & pharmacy inventory to improve stock availability
- mitigating current supply chain disruptions, leading to higher costs

**Creating balance
sheet flexibility**

- realigning investments with new short/mid term goals
- proactively enhancing financial flexibility





Walgreens Boots Alliance

Continued progress on strategic priorities

Accelerate
digitalization of
company

Transform and
restructure retail
offering

Create neighborhood
health destinations

Transformational Cost Management Program



Walgreens Boots Alliance

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Refer to safe harbor and non-GAAP on page 2 and endnotes on page 22



- Please see appendix for reconciliations of non-GAAP financial measures and related disclosures
 - The company 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.
 - Retail Pharmacy USA segment GAAP results, dollars in millions – 2Q20: gross profit \$5,806; selling general and administrative expenses \$4,844; SG&A as a percent of sales 17.8%; operating income \$963; and operating margin 3.5%. 1H20: gross profit \$11,497; selling general and administrative expenses \$9,686; SG&A as a percent of sales 18.1%; operating income \$1,811; and operating margin 3.4%.
 - Retail Pharmacy International segment GAAP results on a reported currency basis, dollars in millions – 2Q20: operating income \$132; and operating margin 4.3%. In 2Q20 compared to prior year quarter, on a reported currency basis, the division's sales decreased 0.8%; operating income decreased 31.4%; and operating margin decreased 1.9 percentage points. 1H20: operating income \$176; and operating margin 3.0%. In 1H20 compared to prior year period, on a reported currency basis, the division's sales decreased 3.0%; operating income decreased 34.9%; and operating margin decreased 1.5 percentage points.
 - Pharmaceutical Wholesale segment GAAP results on a reported currency basis, dollars in millions – 2Q20: operating income \$136. In 2Q20 compared to the prior year quarter, on a reported currency basis, the division's sales increased 5.7%; and operating income increased 36.2%. Pharmaceutical Wholesale segment operating margins excluding equity earnings in AmerisourceBergen on a reported currency basis in 2Q20 were 1.8% and increased 1.5 percentage points compared to the prior year quarter. 1H20: operating income \$258. In 1H20 compared to the prior year period, on a reported currency basis, the division's sales increased 5.5%; and operating income increased 1.1%. Pharmaceutical Wholesale segment operating margins excluding equity earnings in AmerisourceBergen on a reported currency basis in 1H20 were 1.8% and increased 0.6 percentage points compared to the prior year period.
 - Adjusted gross margin is a non-GAAP financial measure defined as adjusted gross profit by business unit divided by sales by business unit. Adjusted gross profit is a non-GAAP financial measure defined as gross profit by business unit, excluding the impact of costs associated with the Transformational Cost Management Program, acquisition-related costs, store optimization and LIFO provision, divided by sales by business unit. The company is providing comparative data relating to these non-GAAP financial measures to provide investors with additional perspective and insights when analyzing the core operating performance of the business units from period to period.
- Net earnings and net earnings per common share – diluted figures are attributable to Walgreens Boots Alliance, Inc.
- For our Retail Pharmacy divisions, 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 being subject to a natural disaster in the past twelve months. Relocated stores are not included as comparable stores for the first twelve months after the relocation. Acquired stores are not included as comparable stores for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable store sales, comparable pharmacy sales and comparable retail sales refer to total sales, pharmacy sales and retail sales, respectively, in such stores. The three and six month periods ended February 29, 2020 figures include an adjustment to remove February 29, 2020 results due to the leap year. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers’ methods. With respect to the Retail Pharmacy International division, comparable store sales, comparable pharmacy sales and comparable retail sales, are presented on a constant currency basis, which are non-GAAP financial measures. Refer to the discussion above for further details on constant currency calculations.
- Retail Pharmacy USA Pharmacy prescriptions (including immunizations) are reported on a 30-day equivalent basis.
- Prescription market share information is an estimate derived from the use of information under license from the following IQVIA information service: IQVIA Prescription Services as of February 29, 2020 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. Due to revisions made by IQVIA to methodology used for its retail prescription database, market share has been restated for the comparable year-ago period.
- Retail Pharmacy USA retail refill scripts initiated via digital channel is inclusive of prescriptions filled at Walgreens and Duane Reade. For this purpose, the total number of 2Q retail refill prescriptions does not include prescriptions filled at non-converted Rite Aid stores.
- Boots UK market share data as of February 22, 2020.
- 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.
- Digitally initiated sales include online orders and mobile application purchases of retail products, photo and digital scripts, including Save a Trip refills.



Appendix

The information on the following pages 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 2020 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 considers certain metrics, including all comparable metrics, number of prescriptions, number of 30-day equivalent prescriptions and number of locations at period end, to be key performance indicators because the company's management has evaluated its results of operations using these metrics and believes that these key performance indicators presented provide additional perspective and insights when analyzing the core operating performance of the company from period to period and trends in its historical operating results. These key performance indicators 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 herein. These measures may not be comparable to similarly-titled performance indicators used by other companies.

Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and six months ended February 29, 2020.

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; and*
- 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 August 31, and references herein to "fiscal 2020" refer to our fiscal year ended August 31, 2020.



Reconciliation of Non-GAAP financial measures

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

NET EARNINGS	Three months ended		Change vs. 2Q19		Six months ended		Change vs. FY19	
	February 29, 2020	February 28, 2019	Amount	Percent	February 29, 2020	February 28, 2019	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 946	\$ 1,156	\$ (210)	(18.2)%	\$ 1,791	\$ 2,279	\$ (488)	(21.4)%
Adjustments to operating income:								
Acquisition-related amortization and impairment	117	123			235	246		
Acquisition-related costs	99	82			223	148		
Transformational cost management	123	150			209	179		
Adjustments to equity earnings in AmerisourceBergen	73	9			152	54		
LIFO provision	28	8			61	48		
Store optimization	30	31			39	51		
Certain legal and regulatory accruals and settlements	—	14			—	24		
Total adjustments to operating income	469	417			919	749		
Adjustments to other income (expense):								
Net investment hedging (gain) loss	7	6			(4)	2		
Gain on sale of equity method investment	—	—			(1)	—		
Total adjustments to other income (expense)	6	6			(5)	2		
Adjustments to income tax provision:								
Equity method non-cash tax	1	15			(1)	19		
U.S. tax law changes ¹	—	9			(6)	(3)		
Tax impact of adjustments ²	(97)	(81)			(177)	(139)		
Total adjustments to income tax provision	(95)	(57)			(184)	(123)		
Adjustments to post tax equity earnings from other equity method investments:								
Adjustments to equity earnings in other equity method investments ³	15	—			43	—		
Total adjustments to post tax equity earnings from other equity method investments	15	—			43	—		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,343	\$ 1,522	\$ (179)	(11.8)%	\$ 2,565	\$ 2,908	\$ (343)	(11.8)%



Reconciliation of Non-GAAP financial measures

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

DILUTED NET EARNINGS PER SHARE

	Three months ended		Change vs. 2Q19		Six months ended		Change vs. FY19	
	February 29, 2020	February 28, 2019	Amount	Percent	February 29, 2020	February 28, 2019	Amount	Percent
Diluted net earnings per common share (GAAP)	\$ 1.07	\$ 1.24	\$ (0.17)	(14.0)%	\$ 2.01	\$ 2.42	\$ (0.41)	(16.8)%
Adjustments to operating income	0.53	0.45			1.03	0.80		
Adjustments to other income (expense)	0.01	0.01			(0.01)	—		
Adjustments to income tax provision	(0.11)	(0.06)			(0.21)	(0.13)		
Adjustments to equity earnings in other equity method investments ³	0.02	—			0.05	—		
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 1.52	\$ 1.64	\$ (0.12)	(7.3)%	\$ 2.88	\$ 3.09	\$ (0.21)	(6.6)%
Weighted average common shares outstanding, diluted (in millions)	885.5	930.7			889.1	941.1		

¹ Discrete tax-only items.

² Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments and the adjusted tax rate true-up.

³ Beginning in the quarter ended May 31, 2019, management reviewed and refined its practice to reflect the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the company's non-GAAP measures in order to provide investors with a comparable view of performance across periods. These adjustments include acquisition-related amortization and acquisition-related costs and were immaterial for the prior periods presented. Although the company may have shareholder rights and board representation commensurate with its ownership interests in these equity method investees, adjustments relating to equity method investments are not intended to imply that the company has direct control over their operations and resulting revenue and expenses. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all revenue and expenses of these equity method investees.



Reconciliation of Non-GAAP financial measures

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

Three months ended February 29, 2020

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 27,245	\$ 3,056	\$ 6,066	\$ (546)	\$ 35,820
Gross profit (GAAP)	\$ 5,806	\$ 1,182	\$ 523	\$ 3	\$ 7,513
Acquisition-related costs	32	—	—	—	32
Transformational cost management	3	—	—	—	3
LIFO provision	28	—	—	—	28
Store optimization	1	—	—	—	1
Adjusted gross profit (Non-GAAP measure)	\$ 5,870	\$ 1,182	\$ 523	\$ 3	\$ 7,577
Selling, general and administrative expenses (GAAP)	\$ 4,844	\$ 1,050	\$ 414	—	\$ 6,308
Acquisition-related amortization and impairment	(79)	(19)	(19)	—	(117)
Acquisition-related costs	(67)	—	—	—	(67)
Transformational cost management	(66)	(47)	(6)	—	(120)
Store optimization	(29)	—	—	—	(29)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,602	\$ 984	\$ 388	\$ —	\$ 5,974
Operating income (GAAP)	\$ 963	\$ 132	\$ 136	\$ 2	\$ 1,233
Acquisition-related amortization and impairment	79	19	19	—	117
Acquisition-related costs	99	—	—	—	99
Transformational cost management	69	47	6	—	123
Adjustments to equity earnings in AmerisourceBergen	—	—	73	—	73
LIFO provision	28	—	—	—	28
Store optimization	30	—	—	—	30
Adjusted operating income (Non-GAAP measure)	\$ 1,267	\$ 198	\$ 235	\$ 2	\$ 1,703
Gross margin (GAAP)	21.3 %	38.7 %	8.6 %		21.0 %
Adjusted gross margin (Non-GAAP measure)	21.5 %	38.7 %	8.6 %		21.2 %
Selling, general and administrative expenses percent to sales (GAAP)	17.8 %	34.4 %	6.8 %		17.6 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	16.9 %	32.2 %	6.4 %		16.7 %
Operating margin ²	3.5 %	4.3 %	1.8 %		3.4 %
Adjusted operating margin (Non-GAAP measure) ²	4.7 %	6.5 %	2.2 %		4.5 %

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 and six month period ended February 29, 2020 includes AmerisourceBergen equity earnings for the period of October 1, 2019 through December 31, 2019 and July 1, 2019 through December 31, 2019, respectively. Operating income for the three and six month period ended February 28, 2019 includes AmerisourceBergen equity earnings for the period of October 1, 2018 through December 31, 2018 and July 1, 2018 through December 31, 2018, respectively.

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



Reconciliation of Non-GAAP financial measures

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

Three months ended February 28, 2019

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 26,257	\$ 3,082	\$ 5,738	\$ (549)	\$ 34,528
Gross profit (GAAP)	\$ 6,067	\$ 1,179	\$ 511	\$ (2)	\$ 7,754
Acquisition-related costs	19	—	—	—	19
Transformational cost management	—	23	—	—	23
LIFO provision	8	—	—	—	8
Store optimization	1	—	—	—	1
Adjusted gross profit (Non-GAAP measure)	\$ 6,095	\$ 1,202	\$ 511	\$ (2)	\$ 7,806
Selling, general and administrative expenses (GAAP)	\$ 4,840	\$ 987	\$ 493	\$ —	\$ 6,320
Acquisition-related amortization and impairment	(79)	(25)	(20)	—	(123)
Acquisition-related costs	(63)	—	—	—	(63)
Transformational cost management	(14)	(16)	(96)	—	(126)
Store optimization	(30)	—	—	—	(30)
Certain legal and regulatory accruals and settlements	(14)	—	—	—	(14)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,640	\$ 946	\$ 378	\$ —	\$ 5,963
Operating income (GAAP)	\$ 1,226	\$ 192	\$ 100	\$ (1)	\$ 1,517
Acquisition-related amortization and impairment	79	25	20	—	123
Acquisition-related costs	82	—	—	—	82
Transformational cost management	14	40	96	—	150
Adjustments to equity earnings in AmerisourceBergen	—	—	9	—	9
LIFO provision	8	—	—	—	8
Store optimization	31	—	—	—	31
Certain legal and regulatory accruals and settlements	14	—	—	—	14
Adjusted operating income (Non-GAAP measure)	\$ 1,455	\$ 256	\$ 225	\$ (1)	\$ 1,935
Gross margin (GAAP)	23.1 %	38.2 %	8.9 %		22.5 %
Adjusted gross margin (Non-GAAP measure)	23.2 %	39.0 %	8.9 %		22.6 %
Selling, general and administrative expenses percent to sales (GAAP)	18.4 %	32.0 %	8.6 %		18.3 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.7 %	30.7 %	6.6 %		17.3 %
Operating margin ²	4.7 %	6.2 %	0.3 %		4.2 %
Adjusted operating margin (Non-GAAP measure) ²	5.5 %	8.3 %	2.3 %		5.3 %

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



Reconciliation of Non-GAAP financial measures

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

Six months ended February 29, 2020

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 53,377	\$ 5,801	\$ 12,072	\$ (1,091)	\$ 70,160
Gross profit (GAAP)	\$ 11,497	\$ 2,238	\$ 1,039	\$ 2	\$ 14,776
Acquisition-related costs	60	—	—	—	60
Transformational cost management	3	3	—	—	6
LIFO provision	61	—	—	—	61
Store optimization	1	—	—	—	1
Adjusted gross profit (Non-GAAP measure)	\$ 11,622	\$ 2,241	\$ 1,039	\$ 2	\$ 14,904
Selling, general and administrative expenses (GAAP)	\$ 9,686	\$ 2,062	\$ 822	—	\$ 12,570
Acquisition-related amortization and impairment	(156)	(41)	(39)	—	(235)
Acquisition-related costs	(161)	—	(1)	—	(163)
Transformational cost management	(133)	(56)	(14)	—	(203)
Store optimization	(38)	—	—	—	(38)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 9,199	\$ 1,964	\$ 768	\$ —	\$ 11,931
Operating income (GAAP)	\$ 1,811	\$ 176	\$ 258	\$ 2	\$ 2,247
Acquisition-related amortization and impairment	156	41	39	—	235
Acquisition-related costs	221	—	1	—	223
Transformational cost management	136	59	14	—	209
Adjustments to equity earnings in AmerisourceBergen	—	—	152	—	152
LIFO provision	61	—	—	—	61
Store optimization	39	—	—	—	39
Adjusted operating income (Non-GAAP measure)	\$ 2,423	\$ 276	\$ 464	\$ 2	\$ 3,166
Gross margin (GAAP)	21.5 %	38.6 %	8.6 %		21.1 %
Adjusted gross margin (Non-GAAP measure)	21.8 %	38.6 %	8.6 %		21.2 %
Selling, general and administrative expenses percent to sales (GAAP)	18.1 %	35.6 %	6.8 %		17.9 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.2 %	33.9 %	6.4 %		17.0 %
Operating margin ²	3.4 %	3.0 %	1.8 %		3.1 %
Adjusted operating margin (Non-GAAP measure) ²	4.5 %	4.8 %	2.2 %		4.2 %

¹ Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the three and six month period ended February 29, 2020 includes AmerisourceBergen equity earnings for the period of October 1, 2019 through December 31, 2019 and July 1, 2019 through December 31, 2019, respectively. Operating income for the three and six month period ended February 28, 2019 includes AmerisourceBergen equity earnings for the period of October 1, 2018 through December 31, 2018 and July 1, 2018 through December 31, 2018, respectively.

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



Reconciliation of Non-GAAP financial measures

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

Six months ended February 28, 2019

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 51,979	\$ 5,982	\$ 11,446	\$ (1,086)	\$ 68,321
Gross profit (GAAP)	\$ 12,067	\$ 2,306	\$ 1,023	\$ (1)	\$ 15,395
Acquisition-related costs	28	—	—	—	28
Transformational cost management	—	25	—	—	25
LIFO provision	48	—	—	—	48
Store optimization	1	—	—	—	1
Adjusted gross profit (Non-GAAP measure)	\$ 12,144	\$ 2,331	\$ 1,023	\$ (1)	\$ 15,498
Selling, general and administrative expenses (GAAP)	\$ 9,675	\$ 2,036	\$ 889	\$ (1)	\$ 12,599
Acquisition-related amortization and impairment	(155)	(52)	(39)	—	(246)
Acquisition-related costs	(120)	—	—	—	(120)
Transformational cost management	(16)	(42)	(96)	—	(154)
Store optimization	(49)	—	—	—	(49)
Certain legal and regulatory accruals and settlements	(24)	—	—	—	(24)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 9,311	\$ 1,943	\$ 753	\$ (1)	\$ 12,006
Operating income (GAAP)	\$ 2,393	\$ 270	\$ 255	\$ —	\$ 2,918
Acquisition-related amortization and impairment	155	52	39	—	246
Acquisition-related costs	148	—	—	—	148
Transformational cost management	16	67	96	—	179
Adjustments to equity earnings in AmerisourceBergen	—	—	54	—	54
LIFO provision	48	—	—	—	48
Store optimization	51	—	—	—	51
Certain legal and regulatory accruals and settlements	24	—	—	—	24
Adjusted operating income (Non-GAAP measure)	\$ 2,834	\$ 388	\$ 445	\$ —	\$ 3,667
Gross margin (GAAP)	23.2 %	38.6 %	8.9 %		22.5 %
Adjusted gross margin (Non-GAAP measure)	23.4 %	39.0 %	8.9 %		22.7 %
Selling, general and administrative expenses percent to sales (GAAP)	18.6 %	34.0 %	7.8 %		18.4 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.9 %	32.5 %	6.6 %		17.6 %
Operating margin ²	4.6 %	4.5 %	1.2 %		4.1 %
Adjusted operating margin (Non-GAAP measure) ²	5.5 %	6.5 %	2.4 %		5.1 %

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 and six month period ended February 29, 2020 includes AmerisourceBergen equity earnings for the period of October 1, 2019 through December 31, 2019 and July 1, 2019 through December 31, 2019, respectively. Operating income for the three and six month period ended February 28, 2019 includes AmerisourceBergen equity earnings for the period of October 1, 2018 through December 31, 2018 and July 1, 2018 through December 31, 2018, respectively.

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Walgreens Boots Alliance

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Reconciliation of Non-GAAP financial measures

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

EQUITY EARNINGS IN AMERISOURCEBERGEN

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
Equity earnings in AmerisourceBergen (GAAP)	\$ 28	\$ 83	\$ 41	\$ 121
Acquisition-related amortization	31	33	61	63
Litigation settlements and other	8	(17)	44	(24)
Asset Impairment	29	—	29	6
LIFO provision	3	(1)	14	15
PharMEDium remediation costs	3	4	6	10
U.S. tax law changes	—	(10)	—	(17)
Anti-Trust	(2)	—	(2)	—
Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 101	\$ 92	\$ 193	\$ 175



Reconciliation of Non-GAAP financial measures

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

FREE CASH FLOW

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
Net cash provided by operating activities (GAAP)	\$ 1,423	\$ 735	\$ 2,484	\$ 1,195
Less: Additions to property, plant and equipment	(318)	(324)	(705)	(793)
Free cash flow (Non-GAAP measure) ¹	<u>\$ 1,105</u>	<u>\$ 411</u>	<u>\$ 1,779</u>	<u>\$ 401</u>

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.



Currency sensitivity

Exchange Rates/Impact	FY19	Dec '19 Sensitivity	Mar '20 Sensitivity
GBP/USD	1.28	1.32	1.26
EUR/USD	1.13	1.11	1.10
TRY/USD	0.18	0.17	0.16
Fx Sales Impact vs. FY19		~\$50m/~0.0%	~(\$925m)/~(0.7%)
Fx Adj. Operating Income Impact vs. FY19		~\$20m/~0.3%	~(\$15m)/~(0.2%)
Fx Adj. EPS Impact vs. FY19		~\$0.02/~0.4%	~(\$0.02)/~(0.3%)

- **Every 1% move in GBP/USD has ~\$145m impact to WBA group sales**
- **Every 1% move in EUR/USD has ~\$120m impact to WBA group sales**
- **Every 10% move in TRY/USD has ~\$220m impact to WBA group sales**

