



Walgreens Boots Alliance

Fiscal 2020 Third Quarter Results

July 9, 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, the potential impacts on our business of the spread and impacts of the COVID-19 pandemic, our cost-savings and growth initiatives, pilot programs, strategic partnerships and initiatives, and 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, 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 spread and impacts of COVID-19, 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 and during periods with increased volatility and uncertainties, 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 looting and vandalism in regions in which we operate and the scope and magnitude of any property damage, inventory loss or other adverse impacts, 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, our Form 10-Q for the fiscal quarter ended February 29, 2020 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 24 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.



WBA's Critical Role during Global Pandemic

Yahoo! Finance

Walgreens adopts new measures to fight against coronavirus

Reuters

BRIEF -Walgreens Boots Alliance to waive delivery fees for all eligible prescriptions during Covid-19 situation

Mobi Health News

Boots UK to connect patients and pharmacists via LIVI

Express

Boots Unveil new Covid-19 Shopping Measures

USA Today

Walgreens expands delivery service of over-the counter medications

Glamour

Boots has given us a sneak peek inside their post-lockdown beauty halls

Mirror

Boots is donating half a million products to NHS staff and hospital patients

Fierce Healthcare

Walgreens rolls out new telehealth features, digital health tools

abc News

Race up Ramp up Testing; Walgreens President on pharmacy chain's nationwide testing plans

The Guardian

Boots to provide help for domestic abuse victims

People

Walgreens' frontline hero discount day gives up to 30 percent off for all first responders

Reuters

Walgreens introduces new digital 'order ahead' drive-thru shopping experience

Sky News

Boots Pharmacists who are isolating at home are helping NHS 111 service triage patients over the phone

USA Today

Walgreens adding 9,500 jobs and giving bonuses in coronavirus response



3Q financial highlights



Walgreens Boots Alliance

- **GAAP EPS loss of -\$1.95 versus EPS of \$1.13 in prior year**
 - Boots non-cash impairment charges
- **Adjusted EPS \$0.83 versus \$1.47 in prior year, -43.4% in constant currency**
 - estimated COVID-19 impact of -61 to -65 cents
- **RPU scripts slowed, but delivered continued good comparable performance from retail despite lower footfall**
- **RPI faced significant footfall declines, partially offset by acceleration of online**
- **Pharmaceutical Wholesale delivered continued sales & adj. operating income growth**
- **Transformational Cost Management Program annual cost savings target raised to in excess of \$2.0bn by FY22 (from \$1.8bn previously)**
- **Solid financial position: YTD free cash flow +24% vs. prior year, short-term financial flexibility increased by \$5.1bn & announced dividend increase of +2%**



COVID-19 had significant impact on 3Q financials

Walgreens

- **Rx comp scripts +0.4%** from +4.9% in 2Q, fewer physician/hospital visits
- **Retail comparable store sales +1.9%** from +0.6% in 2Q, larger basket size partially offset by reduced foot traffic
- **Adj. retail gross margin down -85bps yoy**, compared to +65bps yoy in 2Q, merchandise mix (shift from higher margin discretionary to essentials) and surge in online, home delivery
- **Greater than \$100m incremental SG&A costs** for cleaning & sanitation, employee benefits and supply chain enhancements

Boots UK & Opticians

- **Retail comp store sales -48%**, sharp drop in high street **footfall, peaked at -85% in April**; 112 stores temporarily closed
- **Boots.com sales +78%**, increased capacity with micro-fulfillment centers & hybrid stores
- **Adj. retail gross margin down -440bps yoy** compared to down -65bps yoy in 2Q, reflecting increased fulfillment costs
- **Boots Opticians closed** (official advice)
- **Incremental SG&A costs** fully offset by UK government programs

Estimated WBA adverse adj. operating income impact: \$700-\$750 million



3Q financial highlights



Walgreens Boots Alliance

\$ in millions (except EPS and % change)		3Q20	Reported currency Δ vs. 3Q19	Constant currency Δ vs. 3Q19
Sales		\$34,631	+ 0.1%	+ 1.2%
Operating income:	GAAP	-\$1,584	- 231.7%	
	Adjusted	\$919	- 46.5%	- 46.4%
Net earnings:	GAAP	-\$1,708	- 266.6%	
	Adjusted	\$723	- 45.9%	- 45.6%
EPS:	GAAP	-\$1.95	- 273.4%	
	Adjusted	\$0.83	- 43.8%	- 43.4%



Year-to-date FY20 financial highlights



Walgreens Boots Alliance

		YTD20	Reported currency Δ vs. YTD19	Constant currency Δ vs. YTD19
		\$ in millions (except EPS and % change)		
Sales		\$104,791	+ 1.8%	+ 2.5%
Operating income:	GAAP	\$662	- 83.9%	
	Adjusted	\$4,085	- 24.1%	- 24.1%
Net earnings:	GAAP	\$83	- 97.5%	
	Adjusted	\$3,288	- 22.6%	- 22.4%
EPS:	GAAP	\$0.09	- 97.3%	
	Adjusted	\$3.72	- 18.5%	- 18.3%



Retail Pharmacy USA – financials



\$ in millions (except %)	3Q20	Δ vs. 3Q19	YTD20	Δ vs. YTD19
Sales	\$27,357	+3.2%	\$80,734	+2.9%
Adj. gross profit	\$5,354	- 8.7%	\$16,976	- 5.7%
Adj. SG&A % of sales	16.7%	0.6%	17.0%	0.7%
Adj. operating margin	2.9%	- 2.0%p	4.0%	- 1.3%p
Adj. operating income	\$792	- 38.4%	\$3,215	- 21.9%

- **Estimated COVID-19 impact: Adj. operating income -\$325m to -\$350m**



Retail Pharmacy USA – pharmacy



Comparable	2Q	March	April	May	3Q	June ¹
Pharmacy sales	+ 3.7%	+ 16.3%	+ 1.3%	- 6.4%	+ 3.5%	
Prescriptions	+ 4.9%	+ 11.9%	- 5.1%	- 5.4%	+ 0.4%	~+8% ²

- 3Q Rx comp scripts up +0.4%, lower than 2Q pre-pandemic level of +4.9%
 - March pull forward in prescription demand from pre-authorizations
 - April & May lower new prescription starts / lower physician visits
 - 3Q Rx home delivery from local pharmacy up 29x versus prior year
- Market share declined 30bps to 20.9% including impact from store closures
- Improvement in June comp script volume +~8%² (day fall adjusted ~+3%) includes favorable phasing & recovery in physician visits



1) June performance is preliminary and subject to change
2) June preliminary RPU total 30-day equivalent prescriptions ~+12%

Retail Pharmacy USA – retail



Comparable	2Q	March	April	May	3Q	June ¹
Comp sales	+ 0.6%	+ 14.2%	- 9.2%	+ 0.5%	+ 1.9%	~+5% ²
Store gross margin	+ 95bps	+ 10bps	- 200bps	- 75bps	- 80bps	~-50bps

- 3Q retail comp sales up +1.9%, sequential quarterly improvement
 - gains in Health & Wellness category including PPE & Vitamins +9%, Personal Care +5%, Grocery +8%; offset by discretionary Beauty -9% & Photo -34%
- Sales in urban locations most severely impacted -18%, rural benefited +8%
- New initiatives driving performance (mass personalization +95bps, pick-up options)
- Focused consumer shopping: basket size up mid-20%, traffic down low-20%
- Walgreens.com performance +23% and home delivery sales from store up >5x vs. last year
- 3Q store gross margin dilution due to faster growth in lower margin essential categories
- Comp trends improving in May & June reflecting geographic easing of stay at home orders



Retail Pharmacy International – financials



<i>\$ in millions (except %)</i>	3Q20	Constant currency Δ vs. 3Q19	YTD20	Constant currency Δ vs. YTD19
Sales	\$1,903	- 26.2%	\$7,704	- 9.8%
Adj. operating margin	- 7.5%	- 13.3%p	1.7%	- 4.7%p
Adj. operating income	- \$143	- 191.8%	\$133	- 77.5%
Boots UK comp. pharmacy sales		-1.0%		+0.6%
Boots UK comp. retail sales		- 48.0%		- 16.4%

- Boots UK pharmacies remained open to provide critical healthcare needs, customers restricted from shopping beauty category
- UK retail comp sales -48% and Opticians comp sales -72%
- Estimated COVID-19 impact: Adj. operating income -\$365m to -\$390m



Boots UK – financials



Comparable	2Q	March	April	May	3Q	June ¹
Pharmacy sales	+ 1.8%	+ 7.8%	- 3.2%	- 7.8%	- 1.0%	~+7%
Retail sales	- 4.6%	- 19.0%	- 69.7%	- 59.1%	- 48.0%	~-40%
Retail adj. GM %	- 65bps	+ 30bps	- 1340bps	- 540bps	- 440bps	~-725bps

- March slight pull forward of Rx volume, Rx services sales -65% in both April & May
- Retail sales significantly impacted, Boots is not a weekly grocery shopping trip
 - lower high street foot traffic, -85% at peak
- Consumer shift to online with Boots.com sales up +78%
- Retail adj. gross margin -440bps impacted by fulfillment costs
- Sales trends improving as footfall recovers, but comps remain down ~-40% in June



Pharmaceutical Wholesale – financials



\$ in millions (except %)	3Q20	Constant currency Δ vs. 3Q19	YTD20	Constant currency Δ vs. YTD19
Sales	\$5,899	+5.3%	\$17,971	+7.2%
Adj. operating margin	2.3%	- 0.2%p	2.2%	- 0.2%p
Adj. operating income	\$271	+ 5.1%	\$735	+ 5.1%

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



Cash flow



Walgreens Boots Alliance

\$ in millions	YTD20	Δ vs. YTD19
Operating cash flow	\$3,398	\$183
Cash capital expenditure	- \$962	\$284
Free cash flow	\$2,436	\$467

- **YTD free cash flow grew +24% versus prior year**
- **Took proactive action in 3Q to increase our short-term financial flexibility by \$5.1bn**
- **Increased dividend for 45th consecutive year**
- **Suspending share repurchase activity**
 - **YTD at \$1.3bn vs. previous target of \$1.75bn**
 - **antidilutive program will continue**



Walgreens Boots Alliance

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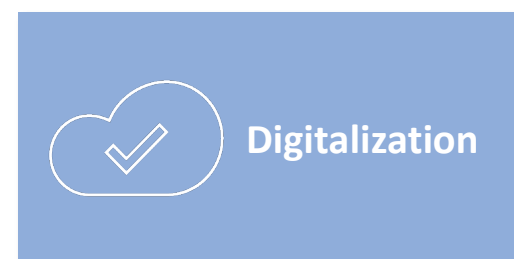
Refer to safe harbor and non-GAAP on page 2 and endnotes on page 24

Transformational Cost Management Program



Increasing savings target to in excess of \$2.0 billion in annual cost savings by FY22

- **Store closures: U.S. 169 closed of 200 planned, Boots UK 76 closed of 200 planned**
- **On target to complete transition of majority of IT Run and Operational Services to TCS by the end of the calendar year**
- **Continue to identify and implement opportunities to lower pharmacy cost to fill**
- **Advancing supply chain efficiencies in the U.S.**
- **Accelerating cost controls through driver-based budgeting**
- **Selected Genpact as Finance for Future strategic partner**
- **Wide ranging reorg in Boots UK to better align cost structure to market conditions**



Fiscal year 2020 guidance

Company introduced full year adj. EPS guidance: \$4.65-\$4.75

- **FY20 COVID-19 impact estimated at -\$1.03 to -\$1.14**
 - **some improvement in sales trends but uncertain outlook; UK footfall remains very weak**
 - **margins will remain under pressure until foot traffic recovers (U.S. retail: category mix, UK: fulfillment costs)**

Estimated FY20 COVID-19 impacts:

Sales	around -\$1.5bn
Adj. operating income	-\$1.2bn to -\$1.3bn



Financial summary



Walgreens Boots Alliance

- **Significant 3Q impact from COVID-19: estimated -61 to -65 cents**
- **Introducing FY20 adj. EPS guidance of \$4.65 to \$4.75, COVID-19 impact -\$1.03 to -\$1.14**
 - trends improving but nature and duration of recovery uncertain
 - continued adverse COVID-19 impact in 4Q, especially in UK
- **Strong financial position led by YTD free cash flow growth +24%**
 - increased short-term financial flexibility by \$5.1bn
 - raised dividend for 45th consecutive year
 - share repurchase activity suspended for the time being
- **Taking swift actions operationally & financially**
 - raised cost savings target to in excess of \$2.0bn by FY22
 - increasing omnichannel and healthcare investments to spur growth

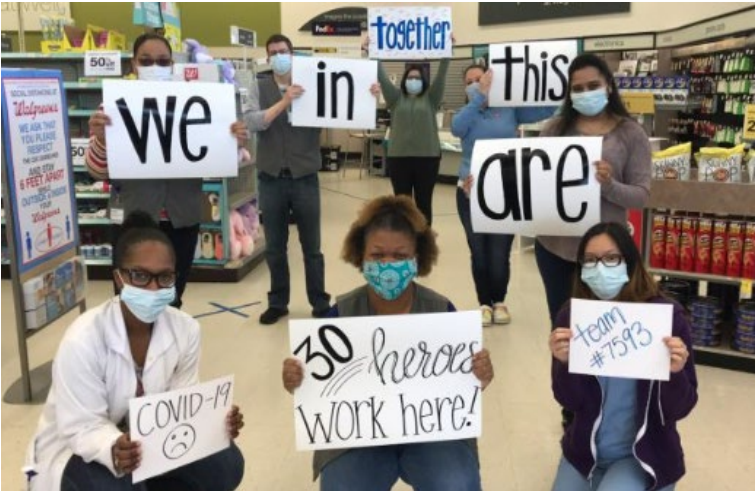


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Refer to safe harbor and non-GAAP on page 2 and endnotes on page 24

Retail Pharmacy USA



Retail Pharmacy USA – initiatives



Create neighborhood health destinations around more modern pharmacy

- Village Medical at Walgreens integrated primary care & pharmacy model
 - better health outcomes
 - reduce costs
 - differentiated patient experience
- 500-700 co-locations in >30 markets within five years
- Including home based monitoring & telemedicine services
- WBA investing \$1.0bn over three years
 - \$250m equity investment at announcement
 - 80% of investment used to open clinics & build partnership



Retail Pharmacy USA – initiatives



Accelerate digitalization

- Establishing marketing and technology platform with Microsoft & new partner Adobe
 - enhancing digital experience to deliver personalized healthcare & shopping offerings
- Mass personalization 3Q retail sales lift +95bps
- Total digitally initiated sales up +23% in 3Q
- Find Care
 - up +48% vs. prior quarter to 3m visits, and up +14x vs. last year
- Walgreens Express Pharmacy 1-2 day delivery service with FedEx; volume of prescriptions delivered +78x vs. prior quarter



Retail Pharmacy USA – initiatives



Transform and restructure retail offering

- Providing pharmacy & retail value to customers with new products and services
 - extending home delivery & drive thru local convenience to ~7,300 locations
 - building new PPE category to meet customer demands
- Advancing our role within the community to provide more holistic healthcare services
 - COVID-19 testing sites at 48 locations in 27 states; >300k tests
 - well positioned to administer COVID-19 tests and immunizations



Retail Pharmacy International – initiatives



Taking swift and decisive actions to recover from COVID-19

- Announced program to restructure Boots: over 4,000 positions or 7% of the workforce
- Playing a key role in supporting the NHS with testing; 31 active sites, 330k tests
- Immediately shifted Boots brand to an online retailer driving significant sales growth
 - boots.com demand up +120% in May
 - significantly increased capacity; created 27 hybrid stores and 2 micro-fulfillment centers
- Repositioning beauty business to win in the omnichannel retail environment
 - rollout of new online tutorials provided by Boots beauty advisors
 - our first global digital skincare launch – No7 Advanced Retinol 1.5% Complex Night Concentrate

Transform retail

Develop new healthcare service offerings

Accelerate digitalization





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 24



- 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 – 3Q20: gross profit \$5,258; selling general and administrative expenses \$5,032; SG&A as a percent of sales 18.4%; operating income \$226; and operating margin 0.8%. YTD20: gross profit \$16,755; selling general and administrative expenses \$14,718; SG&A as a percent of sales 18.2%; operating income \$2,037; and operating margin 2.5%.
 - Retail Pharmacy International segment GAAP results on a reported currency basis, dollars in millions – 3Q20: operating loss \$(2,160); and operating margin (113.5)%. In 3Q20 compared to prior year quarter, on a reported currency basis, the division's sales decreased 31.5%; operating loss decreased 1,912.5%; and operating margin decreased 117.8 percentage points. YTD20: operating loss \$(1,984); and operating margin (25.8)%. In YTD20 compared to prior year period, on a reported currency basis, the division's sales decreased 12.0%; operating loss decreased 609.9%; and operating margin decreased 30.2 percentage points.
 - Pharmaceutical Wholesale segment GAAP results on a reported currency basis, dollars in millions – 3Q20: operating income \$350. In 3Q20 compared to the prior year quarter, on a reported currency basis, the division's sales increased 0.6%; and operating income increased 303.9%. Pharmaceutical Wholesale segment operating margins excluding equity earnings in AmerisourceBergen on a reported currency basis in 3Q20 were 1.8% and increased 0.1 percentage points compared to the prior year quarter. YTD20: operating income \$608. In YTD20 compared to the prior year period, on a reported currency basis, the division's sales increased 3.8%; and operating income increased 77.8%. Pharmaceutical Wholesale segment operating margins excluding equity earnings in AmerisourceBergen on a reported currency basis in YTD20 were 1.8% and increased 0.4 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 Transformational cost management, Acquisition-related costs, LIFO provision, Store damage and inventory losses and Store optimization. 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, net loss, net earnings per common share – diluted and net loss 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 nine months ended May 31, 2020 comparable sales and prescriptions filled figures for the company's Retail Pharmacy divisions exclude the benefit of this year's leap day. 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 May 31, 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.
- 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 3Q retail refill prescriptions does not include prescriptions filled at non-converted Rite Aid stores.
- Boots UK market share insights, where quoted, as of May 16 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.
- Store gross margin is defined as sales less the direct product costs (including an allocation for variable supply chain costs and promotional scanning allowances) divided by sales.



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 nine months ended May 31, 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 (LOSS)

	Three months ended May 31,		Change vs. 3Q19		Nine months ended May 31,		Change vs. FY19	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Net earnings (loss) attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ (1,708)	\$ 1,025	\$ (2,733)	(266.6)%	\$ 83	\$ 3,305	\$ (3,221)	(97.5)%
Adjustments to operating income (loss):								
Impairment of goodwill and intangible assets	2,001	—			2,001	—		
Transformational cost management	315	86			524	265		
Acquisition-related amortization	112	127			348	373		
Acquisition-related costs	68	80			291	228		
LIFO provision	29	29			90	77		
Store damage and inventory losses ¹	75	—			75	—		
Store optimization	10	49			49	99		
Adjustments to equity earnings (loss) in AmerisourceBergen	(105)	137			47	191		
Certain legal and regulatory accruals and settlements	—	7			—	31		
Total adjustments to operating income (loss)	2,504	515			3,423	1,264		
Adjustments to other income (expense):								
Impairment of equity method investment	71	—			71	—		
Termination of option granted to Rite Aid	—	(173)			—	(173)		
Gain on sale of equity method investment	—	—			(1)	—		
Net investment hedging (gain) loss	(2)	8			(6)	10		
Total adjustments to other income (expense)	69	(165)			64	(163)		
Adjustments to income tax provision:								
Equity method non-cash tax	53	(10)			52	9		
U.S. tax law changes ²	—	—			(6)	(3)		
Tax impact of adjustments ³	(184)	(50)			(361)	(189)		
Total adjustments to income tax provision	(130)	(60)			(314)	(183)		
Adjustments to post tax equity earnings from other equity method investments:								
Adjustments to equity earnings in other equity method investments ⁴	3	23			47	23		
Total adjustments to post tax equity earnings from other equity method investments	3	23			47	23		
Adjustments to net earnings (loss) attributable to noncontrolling interests:								
Impairment of goodwill and intangible assets	(14)	—			(14)	—		
Total adjustments to net earnings (loss) attributable to noncontrolling interests	(14)	—			(14)	—		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 723	\$ 1,338	\$ (614)	(45.9)%	\$ 3,288	\$ 4,246	\$ (958)	(22.6)%



Walgreens Boots Alliance

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Reconciliation of Non-GAAP financial measures

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

DILUTED NET EARNINGS (LOSS) PER SHARE

	Three months ended May 31,		Change vs. 3Q19		Nine months ended May 31,		Change vs. FY19	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Diluted net earnings (loss) per common share (GAAP)⁵	\$ (1.95)	\$ 1.13	\$ (3.08)	(273.4)%	\$ 0.09	\$ 3.55	\$ (3.45)	(97.3)%
Adjustments to operating income (loss)	2.86	0.56			3.87	1.36		
Adjustments to other income (expense)	0.08	(0.18)			0.07	(0.17)		
Adjustments to income tax provision	(0.15)	(0.07)			(0.35)	(0.20)		
Adjustments to equity earnings in other equity method investments ⁴	—	0.02			0.05	0.02		
Adjustments to net earnings (loss) attributable to noncontrolling interests	(0.02)	—			(0.02)	—		
Adjusted diluted net earnings per common share (Non-GAAP measure)⁶	\$ 0.83	\$ 1.47	\$ (0.64)	(43.8)%	\$ 3.72	\$ 4.56	\$ (0.84)	(18.5)%
Weighted average common shares outstanding, diluted (in millions) ⁶	876.1	911.2			884.7	931.1		

¹ Store damage and inventory losses as a result of looting in the U.S. during May 2020.

² Discrete tax-only items.

³ Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments and the adjusted tax rate true-up.

⁴ 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.

⁵ Due to the anti-dilutive effect resulting from the reported net loss, the impact of potentially dilutive securities on the per share amounts has been omitted from the quarterly calculation of weighted-average common shares outstanding for diluted EPS for the three months ended May 31, 2020. The impact of these potentially dilutive securities has been included in the calculation of weighted-average common shares outstanding for diluted EPS for the nine months ended May 31, 2020.

⁶ Includes impact of potentially dilutive securities in the quarterly calculation of weighted-average common shares, diluted for adjusted diluted net earnings per common share calculation purposes for the three and nine months ended May 31, 2020.



Reconciliation of Non-GAAP financial measures

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

	Three months ended May 31, 2020				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 27,357	\$ 1,903	\$ 5,899	\$ (527)	\$ 34,631
Gross profit (GAAP)	\$ 5,258	\$ 672	\$ 509	\$ —	\$ 6,438
Transformational cost management	—	1	—	—	1
Acquisition-related costs	7	—	—	—	7
LIFO provision	29	—	—	—	29
Store damage and inventory losses ²	60	—	—	—	60
Store optimization	—	—	—	—	—
Adjusted gross profit (Non-GAAP measure)	\$ 5,354	\$ 672	\$ 509	\$ —	\$ 6,535
Selling, general and administrative expenses (GAAP)	\$ 5,032	\$ 2,832	\$ 402	\$ —	\$ 8,265
Impairment of goodwill and intangible assets	(32)	(1,969)	—	—	(2,001)
Transformational cost management	(277)	(30)	(6)	—	(314)
Acquisition-related amortization	(77)	(16)	(19)	—	(112)
Acquisition-related costs	(59)	—	(1)	—	(61)
Store damage and inventory losses ²	(15)	—	—	—	(15)
Store optimization	(10)	—	—	—	(10)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,562	\$ 816	\$ 376	\$ —	\$ 5,754
Operating income (loss) (GAAP)	\$ 226	\$ (2,160)	\$ 350	\$ —	\$ (1,584)
Impairment of goodwill and intangible assets	32	1,969	—	—	2,001
Transformational cost management	278	31	6	—	315
Acquisition-related amortization	77	16	19	—	112
Acquisition-related costs	66	—	1	—	68
LIFO provision	29	—	—	—	29
Store damage and inventory losses ²	75	—	—	—	75
Store optimization	10	—	—	—	10
Adjustments to equity earnings (loss) in AmerisourceBergen	—	—	(105)	—	(105)
Adjusted operating income (loss) (Non-GAAP measure)	\$ 792	\$ (143)	\$ 271	\$ —	\$ 919
Gross margin (GAAP)	19.2 %	35.3 %	8.6 %		18.6 %
Adjusted gross margin (Non-GAAP measure)	19.6 %	35.3 %	8.6 %		18.9 %
Selling, general and administrative expenses percent to sales (GAAP)	18.4 %	148.8 %	6.8 %		23.9 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	16.7 %	42.9 %	6.4 %		16.6 %
Operating margin ³	0.8 %	(113.5)%	1.8 %		(5.3)%
Adjusted operating margin (Non-GAAP measure) ³	2.9 %	(7.5)%	2.3 %		2.3 %

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 nine month period ended May 31, 2020 includes AmerisourceBergen equity earnings for the period of January 1, 2020 through March 31, 2020 and July 1, 2019 through March 31, 2020, respectively. Operating income for the three and nine month period ended May 31, 2019 includes AmerisourceBergen equity earnings for the period of January 1, 2019 through March 31, 2019 and July 1, 2018 through March 31, 2019, respectively.

² Store damage and inventory losses as a result of looting in the U.S. during May 2020.

³ 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 May 31, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 26,513	\$ 2,776	\$ 5,865	\$ (563)	\$ 34,591
Gross profit (GAAP)	\$ 5,813	\$ 1,112	\$ 527	\$ 2	\$ 7,453
Transformational cost management	—	16	—	—	16
Acquisition-related costs	21	—	—	—	21
LIFO provision	29	—	—	—	29
Store optimization	1	—	—	—	1
Adjusted gross profit (Non-GAAP measure)	\$ 5,864	\$ 1,128	\$ 527	\$ 2	\$ 7,521
Selling, general and administrative expenses (GAAP)	\$ 4,818	\$ 993	\$ 424	\$ 1	\$ 6,235
Transformational cost management	(43)	(5)	(22)	—	(70)
Acquisition-related amortization	(82)	(25)	(20)	—	(127)
Acquisition-related costs	(59)	—	—	—	(59)
Store optimization	(48)	—	—	—	(48)
Certain legal and regulatory accruals and settlements	(7)	—	—	—	(7)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,578	\$ 963	\$ 382	\$ 1	\$ 5,924
Operating income (GAAP)	\$ 995	\$ 119	\$ 87	\$ 1	\$ 1,203
Transformational cost management	43	21	22	—	86
Acquisition-related amortization	82	25	20	—	127
Acquisition-related costs	80	—	—	—	80
LIFO provision	29	—	—	—	29
Store optimization	49	—	—	—	49
Adjustments to equity earnings (loss) in AmerisourceBergen	—	—	137	—	137
Certain legal and regulatory accruals and settlements	7	—	—	—	7
Adjusted operating income (Non-GAAP measure)	\$ 1,286	\$ 165	\$ 265	\$ 1	\$ 1,717
Gross margin (GAAP)	21.9 %	40.0 %	9.0 %		21.5 %
Adjusted gross margin (Non-GAAP measure)	22.1 %	40.6 %	9.0 %		21.7 %
Selling, general and administrative expenses percent to sales (GAAP)	18.2 %	35.8 %	7.2 %		18.0 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.3 %	34.7 %	6.5 %		17.1 %
Operating margin ²	3.8 %	4.3 %	1.7 %		3.5 %
Adjusted operating margin (Non-GAAP measure) ²	4.9 %	5.9 %	2.5 %		4.6 %

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 nine month period ended May 31, 2020 includes AmerisourceBergen equity earnings for the period of January 1, 2020 through March 31, 2020 and July 1, 2019 through March 31, 2020, respectively. Operating income for the three and nine month period ended May 31, 2019 includes AmerisourceBergen equity earnings for the period of January 1, 2019 through March 31, 2019 and July 1, 2018 through March 31, 2019, 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)

	Nine months ended May 31, 2020				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 80,734	\$ 7,704	\$ 17,971	\$ (1,618)	\$ 104,791
Gross profit (GAAP)	\$ 16,755	\$ 2,910	\$ 1,548	\$ 2	\$ 21,214
Transformational cost management	4	3	—	—	7
Acquisition-related costs	67	—	—	—	67
LIFO provision	90	—	—	—	90
Store damage and inventory losses ²	60	—	—	—	60
Store optimization	1	—	—	—	1
Adjusted gross profit (Non-GAAP measure)	\$ 16,976	\$ 2,913	\$ 1,548	\$ 2	\$ 21,439
Selling, general and administrative expenses (GAAP)	\$ 14,718	\$ 4,894	\$ 1,224	\$ —	\$ 20,835
Impairment of goodwill and intangible assets	(32)	(1,969)	—	—	(2,001)
Transformational cost management	(410)	(87)	(20)	—	(517)
Acquisition-related amortization	(233)	(58)	(57)	—	(348)
Acquisition-related costs	(220)	(1)	(2)	—	(224)
Store damage and inventory losses ²	(15)	—	—	—	(15)
Store optimization	(47)	—	—	—	(47)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 13,761	\$ 2,780	\$ 1,144	\$ —	\$ 17,685
Operating income (loss) (GAAP)	\$ 2,037	\$ (1,984)	\$ 608	\$ 2	\$ 662
Impairment of goodwill and intangible assets	32	1,969	—	—	2,001
Transformational cost management	414	90	20	—	524
Acquisition-related amortization	233	58	57	—	348
Acquisition-related costs	287	1	2	—	291
LIFO provision	90	—	—	—	90
Store damage and inventory losses ²	75	—	—	—	75
Store optimization	49	—	—	—	49
Adjustments to equity earnings (loss) in AmerisourceBergen	—	—	47	—	47
Adjusted operating income (loss) (Non-GAAP measure)	\$ 3,215	\$ 133	\$ 735	\$ 2	\$ 4,085
Gross margin (GAAP)	20.8 %	37.8 %	8.6 %	—	20.2 %
Adjusted gross margin (Non-GAAP measure)	21.0 %	37.8 %	8.6 %	—	20.5 %
Selling, general and administrative expenses percent to sales (GAAP)	18.2 %	63.5 %	6.8 %	—	19.9 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.0 %	36.1 %	6.4 %	—	16.9 %
Operating margin ³	2.5 %	(25.8)%	1.8 %	—	0.4 %
Adjusted operating margin (Non-GAAP measure) ³	4.0 %	1.7 %	2.2 %	—	3.6 %

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 nine month period ended May 31, 2020 includes AmerisourceBergen equity earnings for the period of January 1, 2020 through March 31, 2020 and July 1, 2019 through March 31, 2020, respectively. Operating income for the three and nine month period ended May 31, 2019 includes AmerisourceBergen equity earnings for the period of January 1, 2019 through March 31, 2019 and July 1, 2018 through March 31, 2019, respectively.

² Store damage and inventory losses as a result of looting in the U.S. during May 2020.

³ 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)

	Nine months ended May 31, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 78,491	\$ 8,759	\$ 17,311	\$ (1,649)	\$ 102,912
Gross profit (GAAP)	\$ 17,880	\$ 3,418	\$ 1,549	\$ 1	\$ 22,849
Transformational cost management	—	41	—	—	41
Acquisition-related costs	50	—	—	—	50
LIFO provision	77	—	—	—	77
Store optimization	2	—	—	—	2
Adjusted gross profit (Non-GAAP measure)	\$ 18,009	\$ 3,459	\$ 1,549	\$ 1	\$ 23,018
Selling, general and administrative expenses (GAAP)	\$ 14,492	\$ 3,029	\$ 1,313	\$ —	\$ 18,834
Transformational cost management	(59)	(46)	(119)	—	(224)
Acquisition-related amortization	(237)	(76)	(59)	—	(373)
Acquisition-related costs	(178)	—	—	—	(178)
Store optimization	(97)	—	—	—	(97)
Certain legal and regulatory accruals and settlements	(31)	—	—	—	(31)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 13,889	\$ 2,906	\$ 1,135	\$ —	\$ 17,930
Operating income (GAAP)	\$ 3,388	\$ 389	\$ 342	\$ 1	\$ 4,120
Transformational cost management	59	88	119	—	265
Acquisition-related amortization	237	76	59	—	373
Acquisition-related costs	228	—	—	—	228
LIFO provision	77	—	—	—	77
Store optimization	99	—	—	—	99
Adjustments to equity earnings (loss) in AmerisourceBergen	—	—	191	—	191
Certain legal and regulatory accruals and settlements	31	—	—	—	31
Adjusted operating income (Non-GAAP measure)	\$ 4,119	\$ 553	\$ 710	\$ 1	\$ 5,384
Gross margin (GAAP)	22.8 %	39.0 %	9.0 %		22.2 %
Adjusted gross margin (Non-GAAP measure)	22.9 %	39.5 %	9.0 %		22.4 %
Selling, general and administrative expenses percent to sales (GAAP)	18.5 %	34.6 %	7.6 %		18.3 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.7 %	33.2 %	6.6 %		17.4 %
Operating margin ²	4.3 %	4.4 %	1.4 %		3.9 %
Adjusted operating margin (Non-GAAP measure) ²	5.2 %	6.3 %	2.4 %		4.9 %

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 and nine month period ended May 31, 2020 includes AmerisourceBergen equity earnings for the period of January 1, 2020 through March 31, 2020 and July 1, 2019 through March 31, 2020, respectively. Operating income for the three and nine month period ended May 31, 2019 includes AmerisourceBergen equity earnings for the period of January 1, 2019 through March 31, 2019 and July 1, 2018 through March 31, 2019, 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)

EQUITY EARNINGS IN AMERISOURCEBERGEN

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	2020	2019
Equity earnings (loss) in AmerisourceBergen (GAAP)	\$ 243	\$ (16)	\$ 284	\$ 105
Acquisition-related amortization	29	32	90	95
Asset Impairment	46	115	76	120
Litigation settlements and other	14	13	58	8
LIFO provision	5	(13)	19	2
PharMEDium remediation costs	7	3	13	12
Gain on sale of equity investment	—	(3)	—	(3)
U.S. tax law changes	—	—	—	(17)
Other	(1)	—	(1)	—
Anti-Trust	—	(9)	(2)	(28)
Certain discrete tax benefits	(206)	—	(206)	—
Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 138	\$ 121	\$ 331	\$ 296



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,	
	2020	2019	2020	2019
Net cash provided by operating activities (GAAP)	\$ 914	\$ 2,021	\$ 3,398	\$ 3,215
Less: Additions to property, plant and equipment	(257)	(453)	(962)	(1,246)
Free cash flow (Non-GAAP measure) ¹	\$ 657	\$ 1,568	\$ 2,436	\$ 1,969

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	Mar '20 Sensitivity	Jun '20 Sensitivity
GBP/USD	1.28	1.26	1.27
EUR/USD	1.13	1.10	1.11
TRY/USD	0.18	0.16	0.16
Fx Sales Impact vs. FY19		~(\$925m)/~(0.7%)	~(\$880m)/~(0.6%)
Fx Adj. Operating Income Impact vs. FY19		~(\$15m)/~(0.2%)	~(\$5m)/~(0.2%)
Fx Adj. EPS Impact vs. FY19		~(\$0.02)/~(0.3%)	~(\$0.01)/~(0.2%)

- **Every 1% move in GBP/USD has ~\$135m 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**

