



Walgreens Boots Alliance 2Q15 Earnings Conference Call



Walgreens Boots Alliance

9 April 2015

2Q15 Earnings Call Agenda

Topic	Speaker
Introduction	Gerald Gradwell <i>Senior Vice President, Investor Relations & Special Projects</i>
Business Overview	Stefano Pessina <i>Executive Vice Chairman & Acting CEO</i>
Financial Review	George Fairweather <i>Executive Vice President, Global CFO and PAO</i>
Closing Remarks	Stefano Pessina
Q & A	Stefano Pessina George Fairweather Alex Gourlay <i>Executive Vice President & President of Walgreens</i> Jeff Berkowitz <i>Executive Vice President & President of Pharma and Global Market Access</i>



Safe Harbor and Non-GAAP

- Certain statements and projections of future results made in this presentation constitute forward-looking statements that are based on our current market, competitive and regulatory expectations and are subject to risks and uncertainties that could cause actual results to vary materially. Except to the extent required by the law, we undertake no obligation to update publicly any forward-looking statement after this presentation, whether as a result of new information, future events, changes in assumptions or otherwise.
- Please see our latest Form 10-K and subsequent filings for a discussion of risk factors as they relate to forward-looking statements.
- Today's presentation includes certain non-GAAP financial measures, and we refer you to the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable GAAP financial measures and related information.



Walgreens Boots Alliance 2Q15 Business Overview

Stefano Pessina

Executive Vice Chairman and Acting Chief Executive Officer



Walgreens Boots Alliance

9 April 2015

A Unique Combination



Walgreens Boots Alliance

Walgreens



Alliance Healthcare 

The largest drugstore chain
in the USA

The largest retail pharmacy
chain in Europe

A leading global
pharmaceutical wholesaler
and distributor

The first global pharmacy-led, health and wellbeing
enterprise in the world

Gaining Momentum



Walgreens Boots Alliance

**Deal close
accelerated**

**Extensive
corporate
activity
since close**

**Significant
growth
potential**



Walgreens Boots Alliance

Beginning of a New Era



Beginning of a New Era



Beginning of a New Era



Beginning of a New Era



Walgreens Boots Alliance 2Q15 Financial Review

George Fairweather

Executive Vice President, Global Chief Financial Officer,
and Principal Accounting Officer



Walgreens Boots Alliance

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Second Quarter Highlights

- **Net Sales:** \$26.6B
- **Net earnings per share**
 - GAAP: \$1.93
 - Adjusted*: \$1.18
- **Cash flow**
 - Operating: \$1.3B
 - Free*: \$1.0B



Progressing to a Global Enterprise



2Q15 Structure

- **Removed 3-month Alliance Boots reporting lag and recast results**
- **New reporting segments:**
 - Retail Pharmacy USA
 - Retail Pharmacy International
 - Pharmaceutical Wholesale
- **2Q15 consists of:**
 - December: Walgreen Co.'s 45% stake in Alliance Boots (equity method)
 - January/February: 100% consolidated

Walgreens Boots Alliance Consolidated Results

\$ in Millions

GAAP	2Q15	2Q14
Net Sales	\$26,573	\$19,605
Operating Income	\$1,377	\$1,217
Net Earnings*	\$2,042	\$716
Diluted EPS*	\$1.93	\$0.74

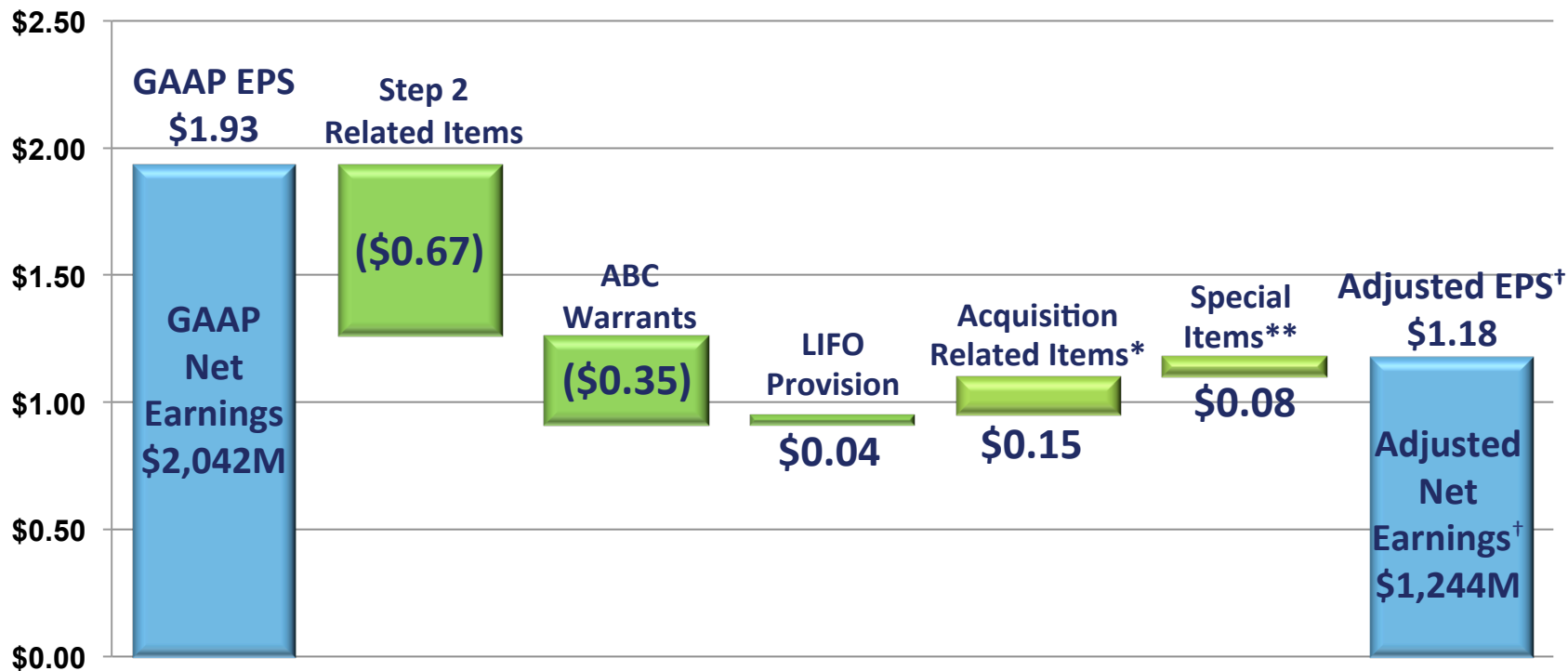
\$ in Millions

Non-GAAP [See Appendix]	2Q15**	2Q14**
Adjusted Operating Income	\$1,840	\$1,408
Adjusted Net Earnings*	\$1,244	\$934
Adjusted Diluted EPS*	\$1.18	\$0.97

* Net Earnings and Earnings per share figures are attributable to Walgreens Boots Alliance, Inc.

** Excludes LIFO provision, acquisition-related amortization, acquisition-related costs, Alliance Boots related tax, optimization costs, and the impact of fair value adjustments and amortization related to the AmerisourceBergen warrants in all periods presented. 2Q15 also excludes the gain on Walgreens 45% previously held equity interest in Alliance Boots, a foreign currency hedge loss related to foreign consideration, asset impairments, pre-funded interest expense and blended tax rate adjustments. See Appendix.

Adjusted 2Q EPS[†] Walk



* Includes acquisition-related amortization, a hedge loss related to delivery of foreign currency consideration, acquisition-related costs, equity method non-cash tax expense and prefunded translation interest expense. See Appendix.

** Includes a gain on Walgreens previously held equity interest in Alliance Boots, positive impact of fair value adjustments and amortization of AmerisourceBergen warrants, optimization costs including asset impairments and blended tax rate adjustments. See Appendix.

† Non-GAAP financial measures— See attached Appendix.

2Q15 Financial Results – Retail Pharmacy USA

\$ in Millions

Metric	
Total Sales	\$21,048
Gross Profit	\$5,746
SG&A	\$4,555
GAAP Operating Income	\$1,292
Adjusted Operating Income*	\$1,598
Comps	Y-o-Y Change
Total Sales	6.9%
Rx Sales	9.7%
Rx Scripts**	5.0%
Retail Products Sales	2.5%



- **Strong top line growth**
 - Pharmacy driven by cough/cold season and Medicare Part D script growth
 - Retail Products driven by cough/cold season

- **Operating margin**
 - Negative pharmacy margin offset by positive Retail Products margin and solid SG&A control



• Non-GAAP financial measure – See attached Appendix.
 ** Rx Scripts on a 30-day adjusted basis.

2Q15 Financial Results[†] – Retail Pharmacy International

\$ in Millions

Metric	
Total Sales	\$2,047
Gross Profit	\$753
SG&A	\$745
GAAP Operating Income	\$8
Adjusted Operating Income*	\$125
Comps (pro-forma)	Y-o-Y Change
Total Sales	2.9%
Rx Sales	2.8%
Retail Sales	2.9%



- Boots UK – biggest contributor
- New opportunities in Latin America

* Non-GAAP financial measure – See attached Appendix.

† Results reflect consolidated figures for the months of January and February

2Q15 Financial Results[†] – Pharmaceutical Wholesale



\$ in Millions

Metric	
Total Sales	\$3,865
Gross Profit	\$387
SG&A	\$306
GAAP Operating Income	\$81
Adjusted Operating Income*	\$121

- Solid UK performance
- Satisfactory performance in challenging European markets
- Continued focus on “added-value” services

* Non-GAAP financial measure – See attached Appendix.

† Results reflect consolidated figures for the months of January and February

Synergy Update

- 2Q15 combined net synergies of \$170 million, fiscal YTD \$310 million

Timeframe	Expected Combined Net Synergies [†]
Fiscal Year 2015	At least \$650 million
Fiscal Year 2016	At least \$1 billion

- Synergies allocated across each segment & do not include any benefit from AmerisourceBergen relationship

Cash Flows

■ Operating Cash Flow and Net Borrowings

- Q215: \$1.3B
- YTD: \$2.3B
- Net debt: \$14.1B (at February 28, 2015)

■ Free Cash Flow*

- Q215: \$1.0B
- YTD: \$1.7B

■ Progress on share repurchase program

Capital Allocation Policy[†]

- Invest across core businesses
- Pursue strategic opportunities
- Return cash to shareholders
- Maintain solid balance sheet and financial flexibility

Cost Savings Program Update[†]

- Increased program from \$1.0B to \$1.5B
- Incremental \$500M primarily to be achieved in FY17
- Expect approx. \$1.6B-\$1.8B in pre-tax charges through FY17
 - Cash component expected to be 60% charge

Areas of Focus

- Store operations
- Corporate
- Field operations



Restructuring Benefits[†]

- Better for customers
- Simpler for employees
- Faster and more agile



Fiscal Year 2015 Guidance[†]

Metric	Guidance [†]
Adjusted EPS*	\$3.45 - \$3.65

Key Assumptions include:

- Interest expense \$140M - \$150M per quarter
- Annual Adjusted Tax rate Approximately 29%
- FY15 weighted avg. diluted share count Generally consistent with Q2
- Currency Reflects current market rates
- Reflects Q1 Adjusted EPS (without 3-month lag) \$0.78

Fiscal Year 2016 Goals[†]

Metric	Goal [†]
Adjusted EPS*	\$4.25 - \$4.60
Combined Net Synergies	At least \$1 billion

Key Assumptions include:

- Annual Adjusted Tax rate High 20's
- FY16 weighted avg. diluted share count ~1.1 Billion
- Currency Reflects current market rates

WBA Analyst Day 2015

Dates: 15-16 April 2015

Location: Ritz Carlton-Battery Park, New York City

Times*: 8:00 am EST – 5:30 pm EST (15 April)
8:00 am EST – 12:00 pm EST (16 April)

*Registration will open at 7:00 AM EST and both days to be webcast at investor.walgreensbootsalliance.com



Closing Remarks

Stefano Pessina

Executive Vice Chairman and Acting Chief Executive Officer



Walgreens Boots Alliance

9 April 2015

Areas of Focus

- Synergy capture
- Pharmacy margins
- Retail performance
- Business processes/IT
- Efficient balance sheet
- CEO search
- IR philosophy



Our Ambition

To build a global healthcare champion...

...always close to customers' hearts and minds

Unique, essential and unmissable





Walgreens Boots Alliance

Questions & Answers



Walgreens Boots Alliance

Appendix

The following information provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). The company has provided these non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information 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 and believes that the 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. The company does not provide a non-GAAP reconciliation for non-GAAP estimates on a forward-looking basis 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. The supplemental non-GAAP financial measures presented 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.



Reconciliation of Non-GAAP Financial Measures

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES SUPPLEMENTAL INFORMATION (UNAUDITED) (In millions, except per share amounts)

Net Earnings and Earnings Per Share

	Three months ended		Six months ended	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 2,042	\$ 716	\$ 2,892	\$ 1,439
Gain on previously held equity interest	(814)	-	(814)	-
(Increase) decrease in fair market value of warrants	(376)	56	(655)	(150)
Partial release of capital loss valuation allowance	-	-	(86)	-
Acquisition-related amortization	157	62	215	118
Transaction foreign currency hedging loss	70	-	166	-
Asset impairment	78	-	78	-
LIFO provision	42	33	76	70
Alliance Boots equity method non-cash tax	38	55	71	102
Acquisition-related costs	43	11	59	27
Optimization costs	12	1	30	16
Prefunded interest expenses	21	-	30	-
Adjusted tax rate true-up	(69)	-	(69)	-
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	<u>\$ 1,244</u>	<u>\$ 934</u>	<u>\$ 1,993</u>	<u>\$ 1,622</u>
Net earnings per common share – diluted (GAAP)	\$ 1.93	\$ 0.74	\$ 2.88	\$ 1.49
Gain on previously held equity interest	(0.77)	-	(0.81)	-
(Increase) decrease in fair market value of warrants	(0.35)	0.06	(0.65)	(0.15)
Partial release of capital loss valuation allowance	-	-	(0.09)	-
Acquisition-related amortization	0.15	0.06	0.21	0.12
Transaction foreign currency hedging loss	0.07	-	0.16	-
Asset impairment	0.07	-	0.08	-
LIFO provision	0.04	0.04	0.08	0.08
Alliance Boots equity method non-cash tax	0.04	0.06	0.07	0.10
Acquisition-related costs	0.04	0.01	0.06	0.03
Optimization costs	0.01	-	0.03	0.02
Prefunded interest expenses	0.02	-	0.03	-
Adjusted tax rate true-up	(0.07)	-	(0.07)	-
Adjusted net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (Non-GAAP measure)	<u>\$ 1.18</u>	<u>\$ 0.97</u>	<u>\$ 1.98</u>	<u>\$ 1.69</u>

Reconciliation of Non-GAAP Financial Measures

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES SUPPLEMENTAL INFORMATION (UNAUDITED) (In millions, except per share amounts)

Operating Income by Segment

	Three months ended February 28, 2015				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 1,292	\$ 8	\$ 81	\$ (4)	\$ 1,377
Asset impairment	110	-	-	-	110
Acquisition-related amortization	67	117	33	-	217
LIFO provision	55	-	-	-	55
Acquisition-related costs	52	-	7	-	59
Optimization costs	16	-	-	-	16
Decrease in fair market value of warrants	6	-	-	-	6
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 1,598</u>	<u>\$ 125</u>	<u>\$ 121</u>	<u>\$ (4)</u>	<u>\$ 1,840</u>

	Three months ended February 28, 2014				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 1,217	\$ -	\$ -	\$ -	\$ 1,217
Acquisition-related amortization	94	-	-	-	94
LIFO provision	51	-	-	-	51
Acquisition-related costs	17	-	-	-	17
Optimization costs	2	-	-	-	2
Decrease in fair market value of warrants	27	-	-	-	27
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 1,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,408</u>

Reconciliation of Non-GAAP Financial Measures

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES SUPPLEMENTAL INFORMATION (UNAUDITED) (In millions, except per share amounts)

Operating Income by Segment

	Six months ended February 28, 2015				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 2,346	\$ 8	\$ 81	\$ (4)	\$ 2,431
Asset impairment	110	-	-	-	110
Acquisition-related amortization	156	117	33	-	306
LIFO provision	107	-	-	-	107
Acquisition-related costs	76	-	7	-	83
Optimization costs	44	-	-	-	44
Increase in fair market value of warrants	(123)	-	-	-	(123)
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 2,716</u>	<u>\$ 125</u>	<u>\$ 121</u>	<u>\$ (4)</u>	<u>\$ 2,958</u>

	Six months ended February 28, 2014				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 2,184	\$ -	\$ -	\$ -	\$ 2,184
Acquisition-related amortization	183	-	-	-	183
LIFO provision	109	-	-	-	109
Acquisition-related costs	42	-	-	-	42
Optimization costs	26	-	-	-	26
Increase in fair market value of warrants	(72)	-	-	-	(72)
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 2,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,472</u>

Reconciliation of Non-GAAP Financial Measures

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION (UNAUDITED)
(In millions, except per share amounts)

Free Cash Flow

	Three months ended	Six months ended
	February 28, 2015	February 28, 2015
Net cash provided by operating activities (GAAP)	\$ 1,306	\$ 2,337
Less: Additions to property and equipment	308	643
Free cash flow(1)	\$ 998	\$ 1,694

(1) Free cash flow is defined as net cash provided by operating activities in a period minus additions to property 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.

Certain Definitions and Assumptions

CERTAIN ASSUMPTIONS: *Unless the context otherwise indicates or requires:*

- *This presentation assumes constant currency exchange rates after the date hereof based on current rates; ;*
- *Walgreens transaction with Alliance Boots did not include the benefit of Alliance Boots minority interest in Galenica Ltd., a Swiss healthcare group, so Walgreens shareholders will not benefit from the financial performance of Galenica Ltd. even though Alliance Boots proportionate interest in their profits is reflected in Alliance Boots financial statements for periods prior to May 10, 2013; and*
- *All financial goals assume no major mergers and acquisitions or other strategic transactions.*

Trading Profit - *Profit from operations before amortization of customer relationships and brands, exceptional items and share of post-tax earnings of associates and joint ventures*

Historical Alliance Boots Financial Information – *Alliance Boots' audited consolidated financial statements, comprised of the Group statements of financial position at March 31, 2014 and 2013, and the related Group income statements, Group statements of comprehensive income, Group statements of changes in equity and Group statements of cash flows for each of the years in the three-year period ended March 31, 2014, were filed as Exhibit 99.1 to the Walgreen Co. Form 8-K filed on May 15, 2014. Such financial statements of Alliance Boots were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and audited in accordance with auditing standards generally accepted in the United States. All descriptions of the company's agreements relating to Alliance Boots and the arrangements and transactions contemplated thereby in this presentation are qualified in their entirety by reference to the full text of the agreements, copies of which have been filed with the SEC.*

All descriptions in this presentation of the agreements relating to the strategic long-term relationship with AmerisourceBergen announced by the Company and Alliance Boots on March 18, 2013 and the arrangements and transactions contemplated thereby are qualified in their entirety by reference to the description and the full text of the agreements in the Company's Form 8-K filing on March 20, 2013 and Schedule 13D filing on April 15, 2014, as amended on January 16, 2015.

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 financial and operating performance, the expected execution and effect of our business strategies, our cost-savings and growth initiatives and restructuring activities and the amounts and timing of their expected impact, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as "expect," "likely," "outlook," "forecast," "preliminary," "would," "could," "should," "can," "will," "project," "intend," "plan," "goal," "guidance," "target," "continue," "sustain," "synergy," "on track," "believe," "seek," "estimate," "anticipate," "may," "possible," "assume," and variations of such words and similar expressions are often used to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, including, but not limited to, those relating to our ability to successfully integrate operations, systems and employees following completion of the strategic combination of Walgreens and Alliance Boots, the impact of private and public third-party payers efforts to reduce prescription drug reimbursements, the impact of generic prescription drug inflation, the timing and magnitude of the impact of branded to generic drug conversions, our ability to realize anticipated synergies and achieve anticipated financial, tax and operating results in the amounts and at the times anticipated, our commercial agreement with AmerisourceBergen, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, the occurrence of any event, change or other circumstance that could give rise to the termination, cross-termination or modification of any of our contractual obligations, whether the costs associated with restructuring activities will exceed current estimates, our ability to realize expected savings and benefits from restructuring activities in the amounts and at the times anticipated, changes in management's assumptions, the risks associated with governance and control matters, the risks associated with equity investments in AmerisourceBergen including whether the warrants to invest in AmerisourceBergen will be exercised and the ramifications thereof, the ability to retain key personnel, changes in financial markets, interest rates and foreign currency exchange rates, the risks associated with international business operations, the risk of unexpected costs, liabilities or delays, changes in network participation and reimbursement and other terms, risks of inflation in the cost of goods, risks associated with the operation and growth of our customer loyalty programs, risks associated with acquisitions, divestitures, joint ventures and strategic investments, subsequent adjustments to preliminary purchase accounting determinations, outcomes of legal and regulatory matters, and changes in legislation or regulations. These and other risks, assumptions and uncertainties are described in Item 1A described in Item 1A (Risk Factors) of the Walgreen Co. most recent Annual Report on Form 10-K, as amended, which is incorporated herein by reference, and in other documents that Walgreen Co. or Walgreens Boots Alliance, Inc. files or furnishes with the Securities and Exchange Commission (including the Form 10-Q filed on the date hereof). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date of this presentation, whether as a result of new information, future events, changes in assumptions or otherwise.

