



Walgreens Boots Alliance

Reimagining  
***Healthcare***  
for the next era

# Safe Harbor and non-GAAP

**Cautionary Note Regarding Forward-Looking Statements:** All statements in this presentation that are not historical including are forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

These include, without limitation, estimates of and goals for future operating, financial and tax performance and results, including our fiscal year 2022 guidance, our long-term growth 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, including statements relating to our expected cost savings under our Transformational Cost Management and store optimization programs. All statements in the future tense and all statements accompanied by words such as “expect,” “outlook,” “forecast,” “would,” “could,” “should,” “can,” “will,” “project,” “intend,” “plan,” “goal,” “guidance,” “target,” “aim,” “continue,” “transform,” “accelerate,” “model,” “longterm,” “believe,” “seek,” “estimate,” “anticipate,” “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.

These risks, assumptions and uncertainties include those described in Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended August 31, 2021 and in other documents that we file or furnish with the Securities and Exchange Commission. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. All forward-looking statements we make or that are made on our behalf are qualified by these cautionary statements. 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, whether as a result of new information, future events, changes in assumptions or otherwise.

**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 [x] and the Appendix to the presentation materials for reconciliations to the most directly comparable U.S. GAAP financial measures and related information. The Company does not provide a 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. 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 or cannot be reasonably predicted, and that would impact 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 may vary materially from the corresponding GAAP financial measures.

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



# Opening Remarks

Roz Brewer  
Chief Executive Officer  
WBA

Reimagining  
***Healthcare***  
for the next era



Walgreens Boots Alliance

# Walgreens Boots Alliance – 2021 Investor Day

Opening Remarks

Roz Brewer

Our Purpose and Strategy

Priorities

John Standley

Roz Brewer

James Kehoe

4Q and Growth Model

James Kehoe

Closing Remarks

Roz Brewer

Q&A



**Customer  
centric**

**Hyper  
localized**

**Improving  
outcomes**

**Scale and  
momentum**

**Transformational  
partnerships**

# **Reimagining Healthcare** for the next era

Investor Day 2021

**Rx at  
the center**

**Delightful  
customer  
experiences**

**Lowering  
cost of care**

The past  
**6 MONTHS**  
have been a  
tremendous  
experience

no preconceived notions  
upon joining

brought outside-in view  
of our assets

tremendous strengths...

...great momentum  
and community relevance

...but unclear strategy  
and disjointed culture



**Walgreens  
Boots  
Alliance**

**Strong foundation  
of assets to build on**

**Presence in healthcare  
more relevant than ever**

**Tremendous momentum  
and future potential**

# Validated the role of pharmacy in local communities

Administered  
**more than  
40 million**  
COVID-19  
vaccines to  
date

Completed  
**more than  
16 million**  
COVID-19 tests  
to date

Completed  
**more than  
23 million**  
same day orders  
to date





**Spent \$500 million  
to build and sustain  
capabilities and  
capacity to deliver  
the vaccination and  
testing programs**



**Customer  
centric**

**Hyper  
localized**

**Improving  
outcomes**

**Scale and  
momentum**

**Transformational  
partnerships**

# **Reimagining Healthcare** for the next era

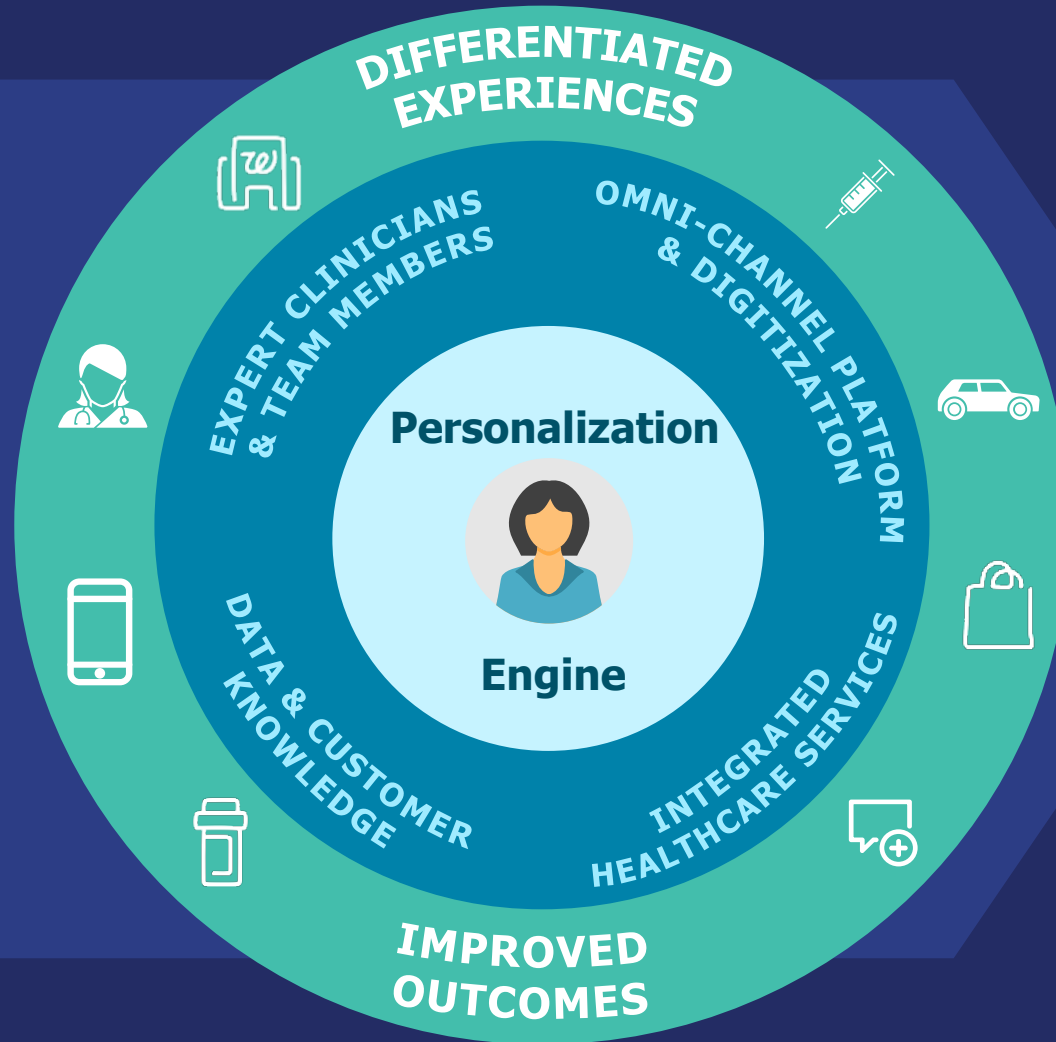
Investor Day 2021

**Rx at  
the center**

**Delightful  
customer  
experiences**

**Lowering  
cost of care**

Created  
differentiated  
omni-channel  
experiences  
to drive  
digital and  
physical traffic



**4Q21 U.S.:**

**6%+ retail  
comps**

**100%+ increase  
in digital sales**

**85M+  
myWalgreens  
members**

# Strengthened right to win within healthcare ecosystem



## Many assets to leverage...

Reach in local communities  
(~9,000 U.S. locations)

Frequent touchpoints  
with chronic customers

Pharmacist network  
and leading fulfillment capabilities

Brand credibility and trust  
as neutral party in health and wellness

Payor relationships in specialty  
and traditional pharmacy



## ...and momentum as we move forward

COVID-19 and underlying business

Partnerships and investments in payors  
and providers that will strengthen  
our healthcare position

Key talent to help us chart our path



# Developed strong customer relationships and understanding



## Support Seekers

5+ Chronic Conditions



## Efficiency Enthusiasts

No Chronic Conditions



## Wellness Watchers

1-4 Chronic Conditions



## Concerned Caregivers

Caring for Themselves and a Loved One

# 2022 will be a year of...

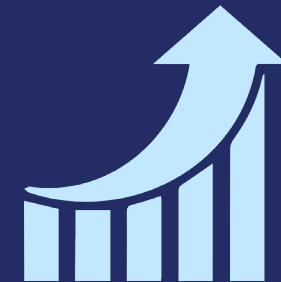
**CULTIVATING**  
our strengths



**SHARPENING**  
our execution



**INVESTING**  
in our future



# Focus for today



**PURPOSE**



**VISION**



**VALUES**

**Our Strategic Ambitions**

**Long-term Growth**

**FY21 Earnings / FY22 Guidance**

# Key takeaways from today

We have an **integrated healthcare, pharmacy, and retail strategy**, enabling **sustainable, profitable growth**

We are well on our way to our **new healthcare vision and ambition**

We are putting the **right capabilities, assets and operating model in place**

We are committed to **enhanced communication and transparency**

Our revitalized strategy, and **intensified executional focus**, gives capacity to drive strong returns

OUR  
WHY

## Our Purpose

Why we exist—  
our enduring North Star.

OUR  
WHAT

## Our Vision

Our tangible, company-wide aspiration  
for the near-term.

OUR  
HOW

## Our Values

Our shared beliefs and principles  
that guide our decisions and how we  
will show up in our day-to-day work.

# More joyful lives through better health.

## To be the leading partner in reimagining local healthcare and wellbeing for all.

**Courageous**

**Connected**

**Committed**

**Curious**



# To be the leading partner<sup>1</sup> in reimagining<sup>2</sup> local<sup>3</sup> healthcare<sup>4</sup> and wellbeing<sup>5</sup> for all.<sup>6</sup>

1

Working alongside, and in service of, customers and providers

2

Looking beyond the status quo to create unexpected solutions

3

Serving the specific needs of each neighborhood

4

Healthcare: Supplying an entry point to the broader healthcare system

Health care: Tending those we serve with a human touch that enables them to flourish

5

Addressing all dimensions of physical, emotional and mental health

6

Creating greater access for every person in every community





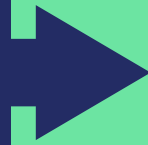
Walgreens  
Boots  
Alliance

## OUR VISION:

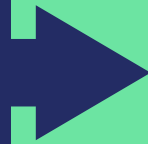
To be the  
leading partner  
in reimagining local  
healthcare and  
wellbeing for all

## OUR STRATEGY:

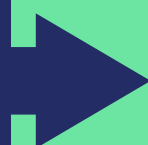
**Advantaged growth in community healthcare,  
while transforming our core**



**Transform and align the core**



**Build our next growth engine  
with consumer-centric healthcare  
solutions**



**Focus the portfolio; optimize capital  
allocation**



**Build a high-performance culture  
and a winning team**

# Transform and Align the Core

Transform and align the core



Build our next growth engine  
with consumer-centric healthcare  
solutions

Focus the portfolio;  
optimize capital allocation

Build a high-performance culture  
and a winning team

Building the pharmacy of the  
future to support and enable  
our healthcare strategy

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Reimagining retail through  
expanded health and wellness  
offerings and mass  
personalization

---

Accelerating our brands  
and digital offerings

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Expanding Transformational  
Cost Management Program



# Build Our Next Growth Engine

Transform and align the core

Build our next growth engine  
with consumer-centric healthcare  
solutions



Focus the portfolio;  
optimize capital allocation

Build a high-performance culture  
and a winning team

Accelerating the path to become  
a leading provider of local  
clinical care services

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Leveraging consumer centric  
technology and our pharmacy  
network to deliver and enable  
others to deliver value-based care

---

Strengthening partnerships with  
payors, providers, and patients

# Focus the Portfolio; Optimize Capital Allocation

Transform and align the core

Build our next growth engine  
with consumer-centric healthcare  
solutions

Focus the portfolio;  
optimize capital allocation



Build a high-performance culture  
and a winning team

Refocusing the portfolio and  
equity investments to prioritize  
core assets and healthcare  
ambitions

---

Maintaining commitment to  
return cash to our investors

# Build High-performance Culture and A Winning Team

Transform and align the core

Build our next growth engine with consumer-centric healthcare solutions

Focus the portfolio; optimize capital allocation

Build a high-performance culture and a winning team

Redefining our culture to drive the transformation

---

Attracting and retaining a best-in-class, diverse team

# Transform and Align the Core

*Accelerating our core business*

John Standley  
President  
Walgreens

Reimagining  
**Healthcare**  
for the next era



Walgreens Boots Alliance

# Empowering chronic customers on their wellness journey

## U.S. market

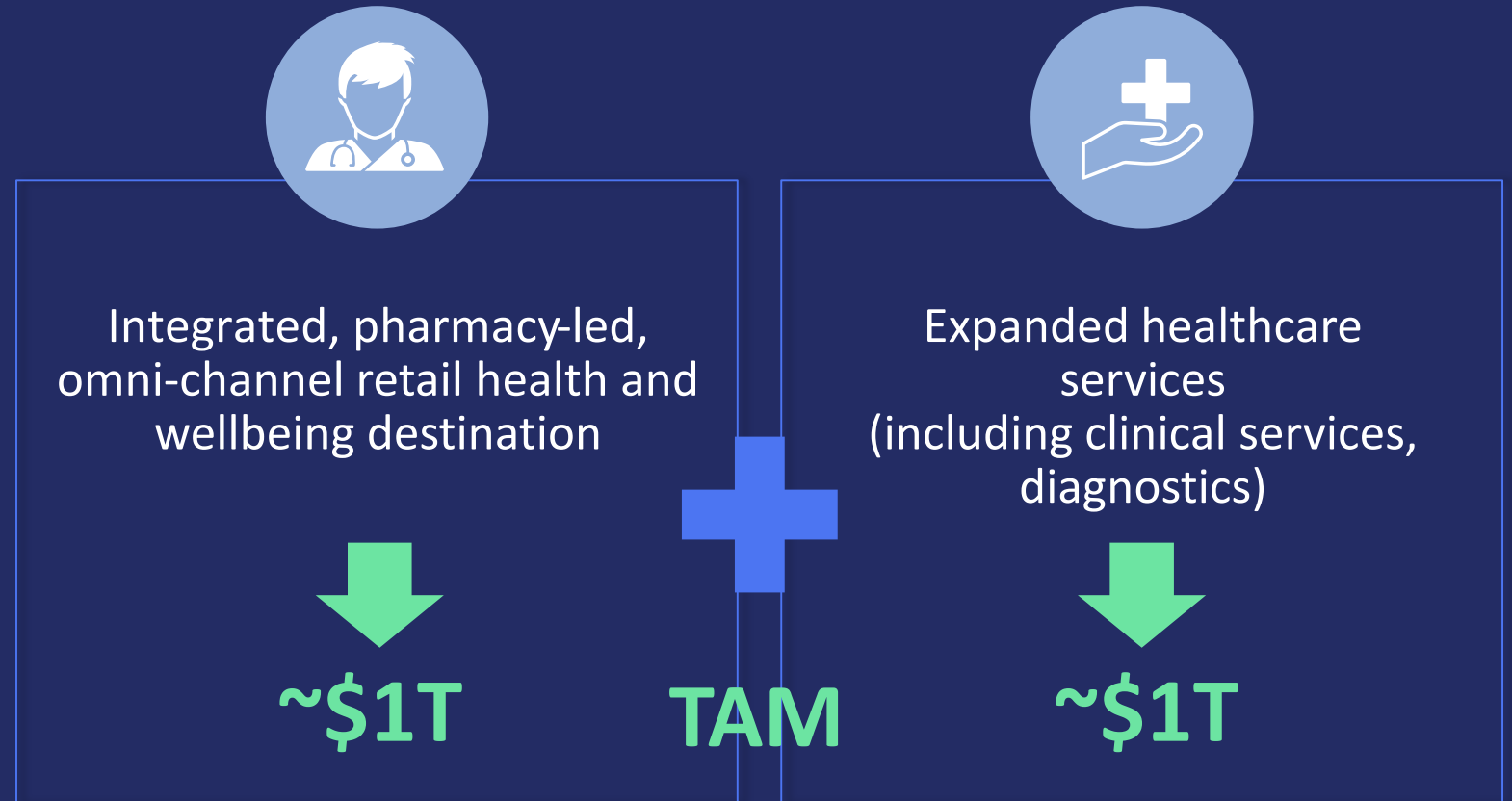
**6 in 10**  
Adults have  
a chronic  
condition

**90%**  
of U.S.  
healthcare  
spend

## At Walgreens

**35M**  
Chronic  
customers

**>80%** of  
Walgreens  
revenue



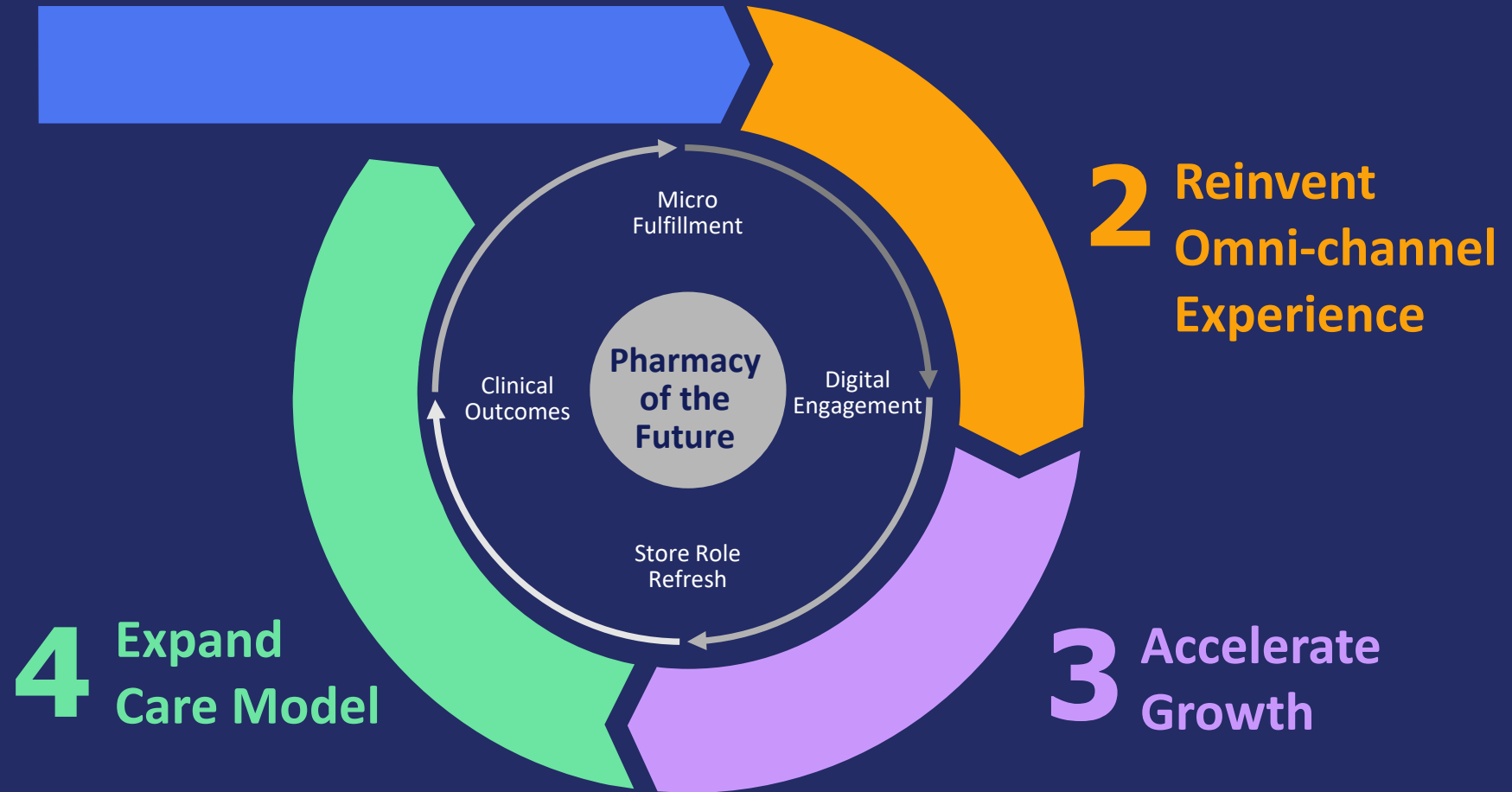
Supported by a customer-centric, clinically-enabled, omni-channel engagement platform

TAM = total addressable market

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# Building the pharmacy of the future to support and enable our healthcare strategy

**1** Be the Low-Cost Provider





# Delivering world-class pharmacy operations

Implementing **automated central micro fulfillment** capability

- **Freeing capacity** to enable value-add healthcare activities
- Reduced **working capital**
- Improved **cost-to-fill**
- **National coverage** by 2024

Expanded **centralized services** freeing up additional pharmacist capacity

Modernizing **core dispensing platform** additional **clinical**



**Customer  
centric**

**Hyper  
localized**

**Improving  
outcomes**

**Scale and  
momentum**

**Transformational  
partnerships**

# **Reimagining Healthcare** for the next era

Investor Day 2021

**Rx at  
the center**

**Delightful  
customer  
experiences**

**Lowering  
cost of care**



175 Walgreens  
pharmacies on-  
site at health  
systems

211 health  
system clinics at  
Walgreens

## Expanding health system collaboration and comprehensive specialty capabilities

- 26% of health systems own specialty pharmacy compared to 9% in 2015
- 75% of all specialty prescriptions originate from health systems
- Expanding clinical performance requirements

70  
Health  
systems



87  
Health  
systems



LDD  
Access



2,900  
Clinician  
network



145  
Locations





# Growing beyond core pharmacy dispensing and expanding healthcare services

**Fundamental  
shift over  
last 18 months**

**Short term:  
vaccination and  
testing hub**

**Longer-term:  
additional  
services through  
healthcare  
strategy**

# Expanding robust vaccination and diagnostics offering

>40M COVID-19 vaccines administered

>16M COVID-19 tests provided

National



- **Vaccinations**

- Flu, Pneumonia, Shingles, HPV, TDAP, COVID-19



- **Diagnostic Testing**

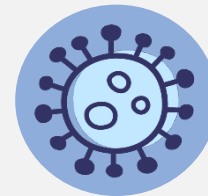
- COVID-19
- Influenza A/B

Pilot / Regional



- **Chronic Care Management**

- Statins
- HbA1c
- BMI, BP, Colon screening



- **Specialty Management**

- HIV/PrEP
- HIV testing
- Therapy monitoring

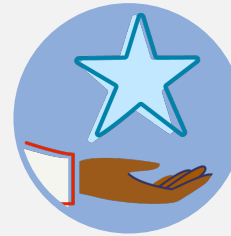
# Building clinical pharmacy and healthcare services

~\$730B of total health spend is attributed to modifiable risk factors concentrated in several chronic conditions

Upwards of \$290B in avoidable healthcare costs from medication non-compliance



**Pay for Performance**



**Disease Management and Care Gap Closures**



**Collaborative Care Practices**

# Reimagining retail through health and wellness leadership accelerated by mass personalization



## Be the first choice for **health and wellness solutions**

- Fueled by integrated health, pharmacy and retail **personalization and digitalization** at every step in the journey
- Empowering **chronic customers** in their health and well being journey through a **trusted wellbeing offering** supported by expert advice and **patient-centric pharmacy**
- Providing **convenience and competitive offers** how and where our customers value it most



# Integrating health, pharmacy and retail personalization across the customer journey



**Customer  
centric**

**Hyper  
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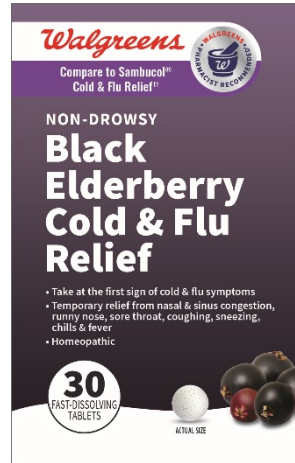
# Growing new alternative profit businesses





# Accelerating our brands and digital offerings

## Owned Brand Innovation



Range of products and services to meet needs

\$4.7B owned brand in FY22

125+ new retail health products in FY22

Grow penetration to 22% by FY24

## Digital Offering



Integrated pharmacy and omni-channel experience

Tailored wellness journey by chronic conditions

Elevated brand trust and expertise

# Accelerating our omni-channel evolution

**NEW!**  
**Pickup** in as little as  
**30 minutes\***  
when you order online

[Shop now](#)

1. Order online or use the Walgreens App  
2. We'll notify you when your order is ready (as little as 30 minutes!\*)  
3. Get your order curbside, at the drive-thru or in store

**100%+**

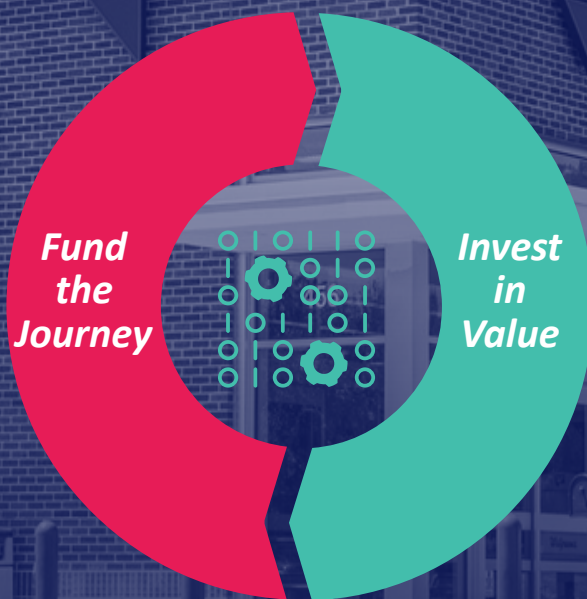
digital sales growth vs. last year in 4Q FY21

**>23M same day orders**

Completed across curbside, drive-thru, delivery

# Accelerating rigorous margin management program

Data-driven category management to fund the journey and re-invest in customer value



Rigorous management of assortment and space allocation



Direct and indirect cost improvement



Enhancement of value levers



Accelerated owned brand penetration

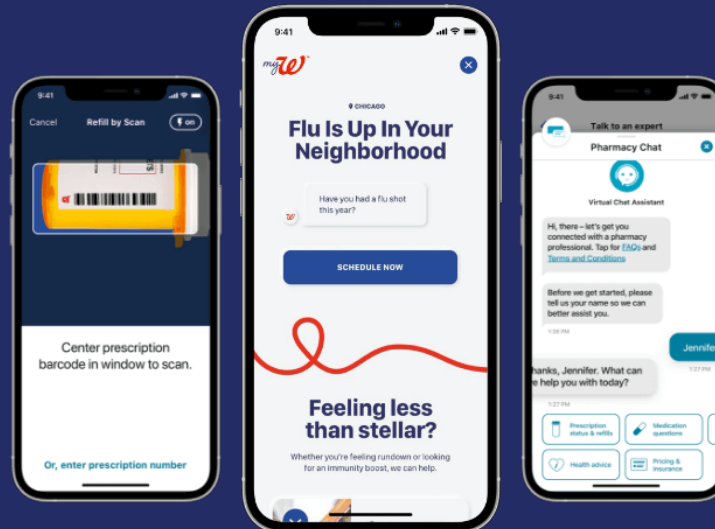


# Reimagining our customer experience

Driving store refresh program to enhance experience and increase traffic

Modernizing with technology to connect retail with pharmacy and physical with digital

Optimize footprint and real estate expenses to maximize access and convenience



**Creating  
tangible  
goals over  
the next  
3 years**

**\$1B+**  
Additional TCM  
savings

**22%**  
Owned brands  
penetration

**\$300M+**  
In alternative  
profit income

**Customer  
centric**

**Hyper  
localized**

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# **Reimagining Healthcare** for the next era

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## Accelerating omni-channel transformation of Boots UK portfolio



**#1** Health and beauty website  
in the UK



**20%+** of total sales online for  
Boots UK

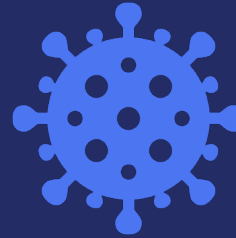


**2x** AOI growth over FY20  
as business rebounds

**ONLINE DOC / Health Hub  
(100+ services)**



**COVID-19 Testing  
(3M+ delivered)**



**Vaccines  
(100+ locations)**



**Transforming Boots UK healthcare through  
telehealth, testing, and vaccines**



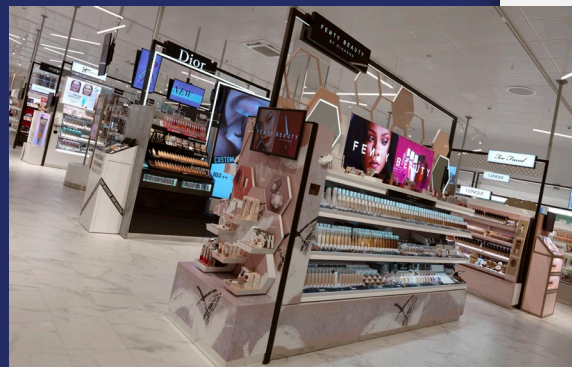
# Strengthening our beauty offering in stores and online



40%+ of beauty products in  
the UK purchased at Boots



60+ new beauty brands  
introduced



Investing to enhance in-store  
experience with over 100  
stores completed

## Growing our beauty brands portfolio in the U.S., UK, and Internationally...



Delivering \$235M sales in the U.S.; largest growth market; +\$200M over 3 years



\$450M in UK sales; accelerating direct-to-consumer offer



Expanding our reach in China; Soap & Glory in market, adding No7 in FY23

## ... to become a \$1B global business by FY23

N<sup>o</sup>7

LIZ EARLE

SOAP & GLORY™

# Transformational Cost Management Program

James Kehoe  
Global Chief Financial Officer  
WBA

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for the next era

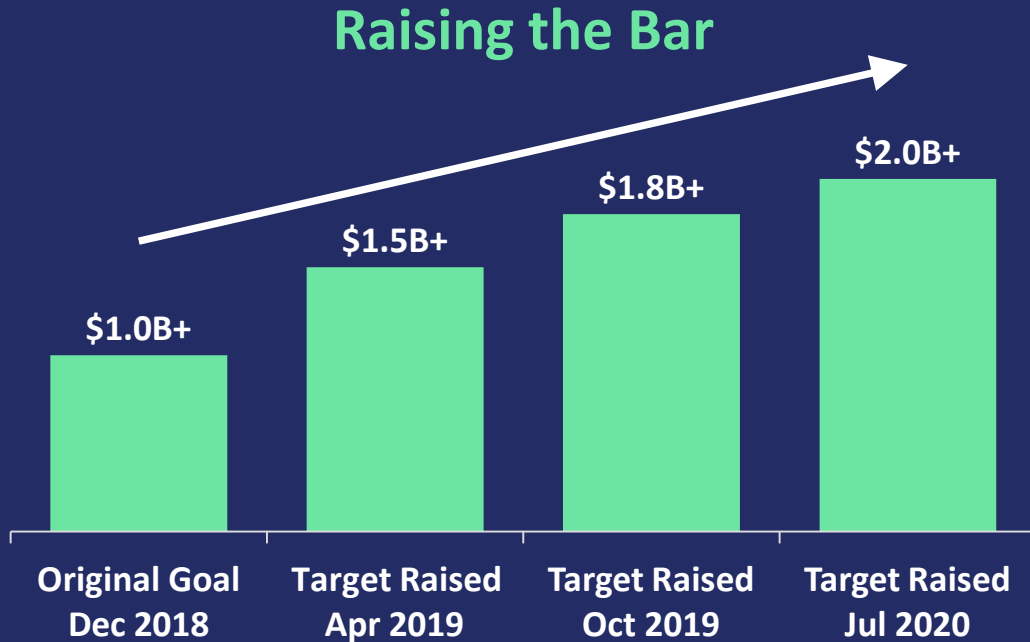


Walgreens Boots Alliance

# Transformational Cost Management Program

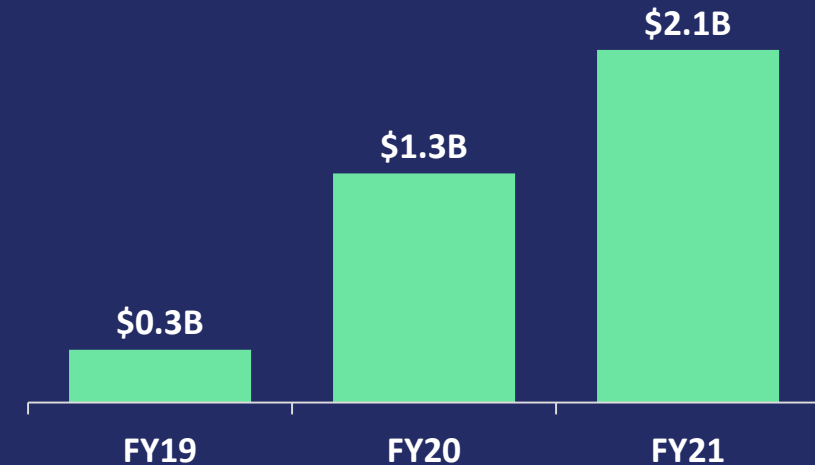
- ✓ Transformational Cost Management (TCM) Program achieved \$2.0B+ savings goal one year ahead of schedule through strong governance and focused execution
- ✓ Expanding TCM Program and raising savings goal to \$3.3B by FY24
  - Higher savings from existing programs
  - Comprehensive funnel of new initiatives in place to drive incremental savings
- ✓ Implementation costs projected at \$3.6B to \$3.9B through FY24

# TCMP Success in Accelerating Savings



- Launched in FY19 with FY22 target of \$1.0B+
- Target raised to \$2.0B+ due to strong delivery
- TCMP savings offset inflation and volume impacts, and fuel growth initiatives

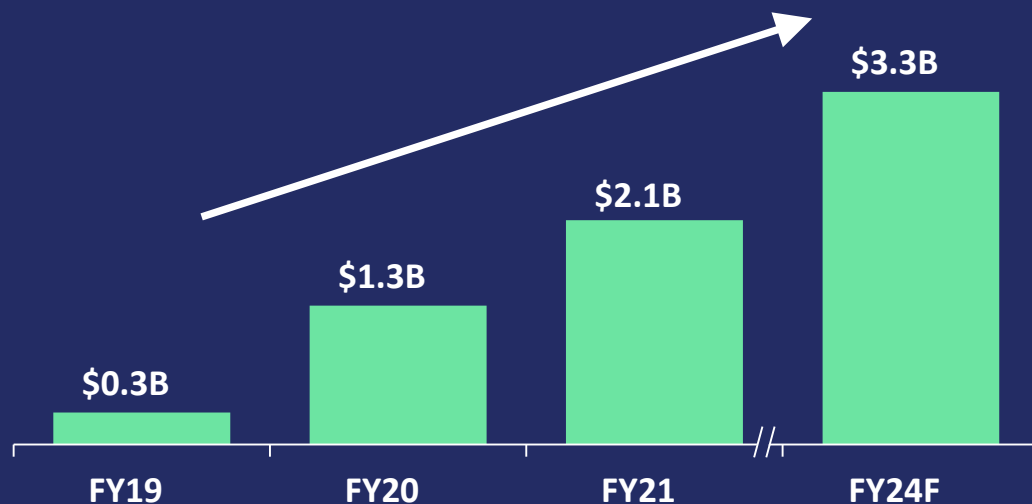
## Goal Achieved - 1 Year Ahead of Schedule



- FY19 set targets and establish strong governance
- FY20 analysis, initiative execution and ZBB launch
- FY21 accelerating pace
- Improvement in adj. SG&A % Sales of ~190bps

# Expanding TCM Program to Fund Future Growth

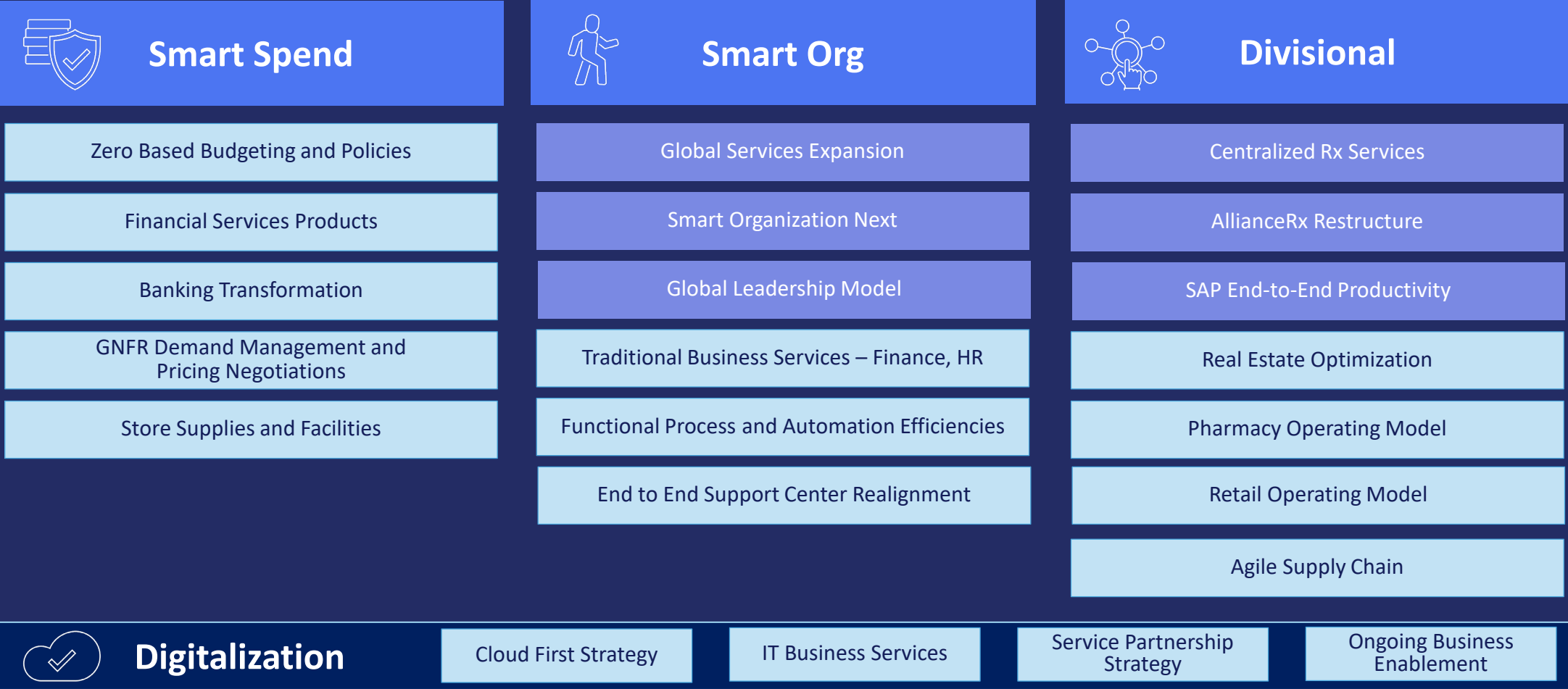
## TCM Savings Projection



- Savings target raised to \$3.3B
- Comprehensive funnel of new initiatives
- Implementation costs expanded to \$3.6 to \$3.9B through FY24 (compared to previous range of \$2.1 to \$2.3B)

<sup>1</sup> Excludes \$508M retained earnings transition adjustment to decrease retained earnings due to the adoption of new lease accounting standard; booked in FY20

# \$3.3B savings target driven by deep funnel of cost initiatives



Legend: New Initiatives Ongoing Initiatives

# Our Next Growth Engine

*The future of WBA as a healthcare company*

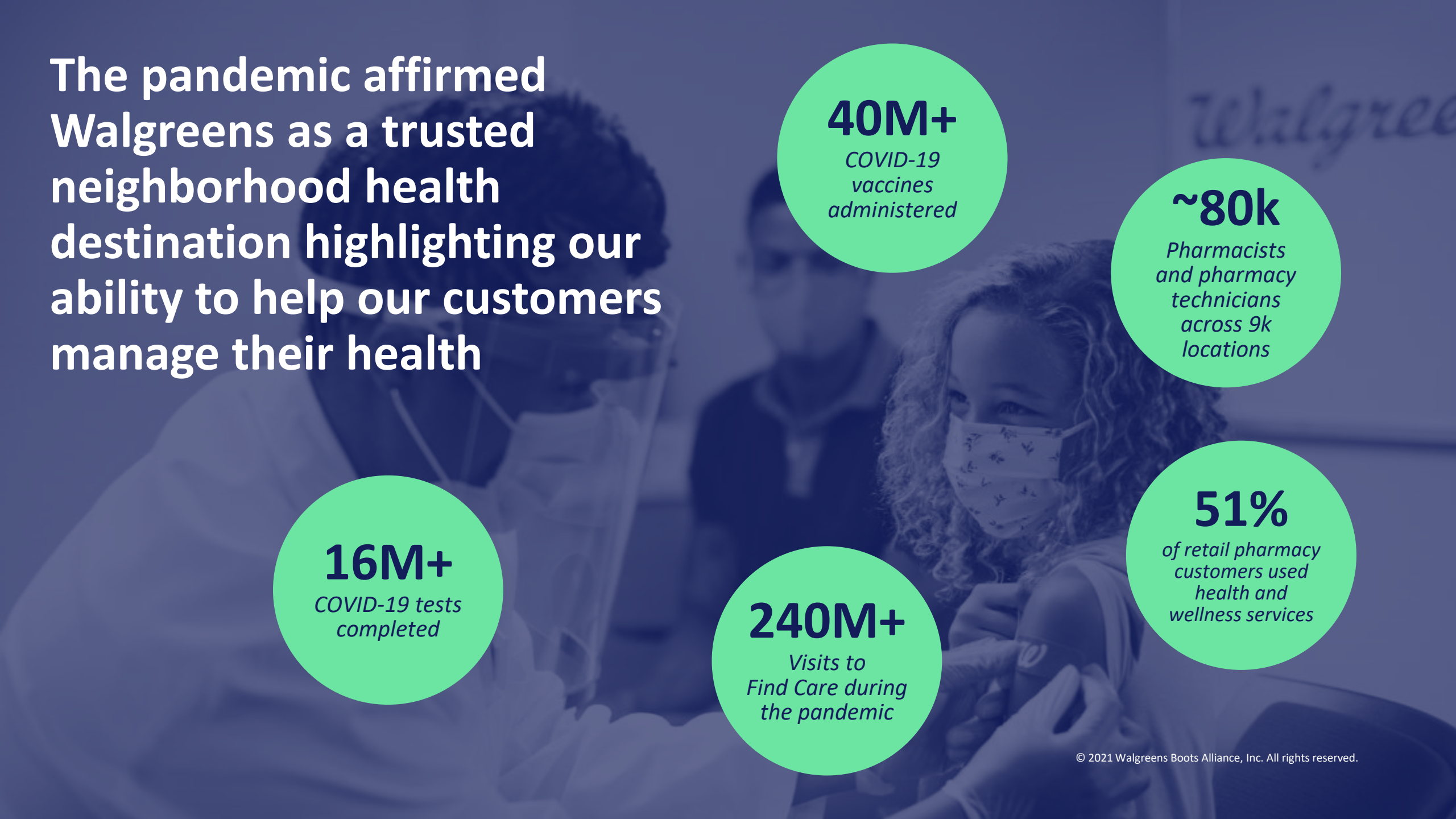
Roz Brewer  
Chief Executive Officer  
WBA

Reimagining  
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for the next era



Walgreens Boots Alliance





The pandemic affirmed  
Walgreens as a trusted  
neighborhood health  
destination highlighting our  
ability to help our customers  
manage their health

**40M+**

*COVID-19  
vaccines  
administered*

**~80k**

*Pharmacists  
and pharmacy  
technicians  
across 9k  
locations*

**16M+**

*COVID-19 tests  
completed*

**240M+**

*Visits to  
Find Care during  
the pandemic*

**51%**

*of retail pharmacy  
customers used  
health and  
wellness services*

# Developing a healthcare business built upon a core set of principles

**Healthcare is inherently local**, and all communities should have equitable access to care

**People plus technology deliver better care**

**Consumer-centric, omni-channel, whole person care**, delivered with privacy and security by design

**Payment models are moving towards value** with a focus on cost and outcomes

**Scale is critical.** We are creating a sustainable, locally-focused, nationally scaled business, with a multi-asset strategy across care delivery and provider enablement

Introducing...

# Walgreens Health

*To be the leading partner in reimagining local healthcare  
and wellbeing for all*



## Creating better outcomes for consumers and partners...

Delightful consumer experience with omni-channel engagement

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Improving health outcomes and lowering cost of care

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Health equity by addressing community-wide social determinants of health

## Maximizing Walgreens diverse assets to deliver...

Consumer-centric approach, leveraging Walgreens trusted consumer relationships

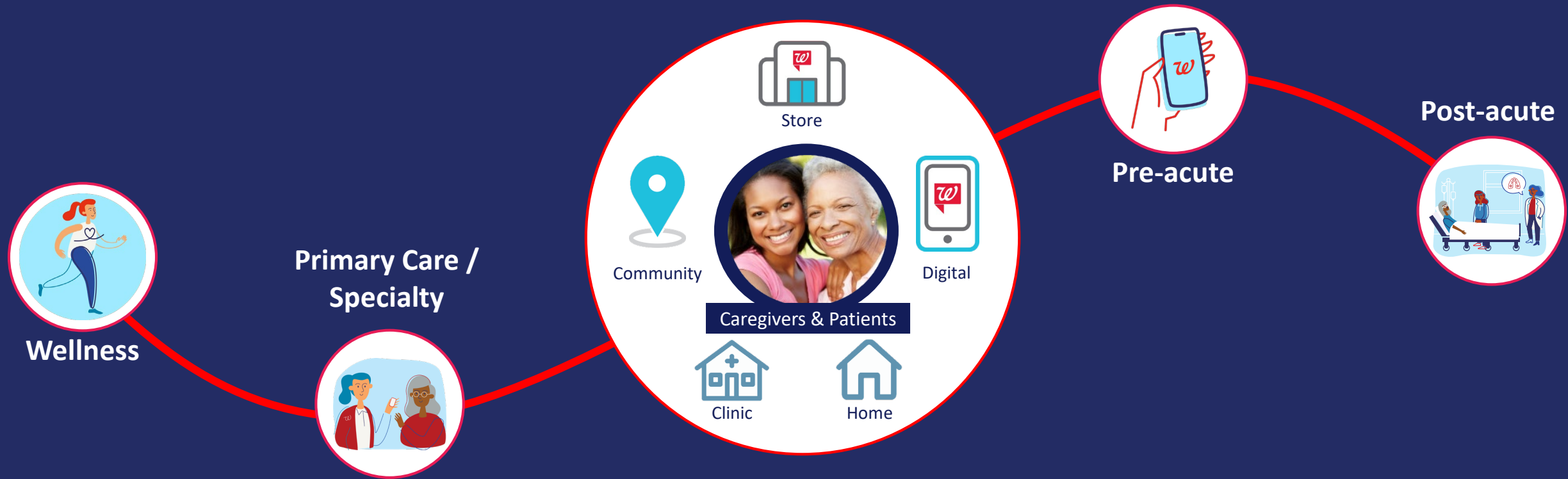
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Nationally scaled, locally delivered business, through a diversified, multi-asset strategy

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A platform that enables our local payor and provider partners

# Consumer Value | Orchestrating the consumer journey across the care continuum



## Omni-channel and Personalized Consumer Engagement Platform

Engaging consumers | Care team enabled by technology | Integrating and aligning incentives

# Partner Value | Bringing solutions to improve outcomes and costs for our payor and provider partners



Population Health  
Services and New  
Pharmacy Models



Enabling Providers  
(Primary Care and  
Specialists)



Clinical Outcomes  
Management



Delegated Risk  
on Populations

**Increasing impact on health  
outcomes and total cost of care**



# Strategic Investments | Announcing new strategic investments in CareCentrix and VillageMD

Taking majority positions in  
Post-Acute and Primary Care



Building upon our portfolio of  
assets across the care continuum



# Transforming the post-acute care journey from hospital to home



Delivering better health outcomes and enhanced patient experience while lowering costs and improving outcomes

## Scale

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**19M** Lives under management

**~\$1.4B** Spend under management

**~8,000** Home Services National Provider Network

## Outcomes

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**15-22%** Lower readmissions

**11%** Lower emergency department utilization

**20%** Lower total cost of care vs. control group

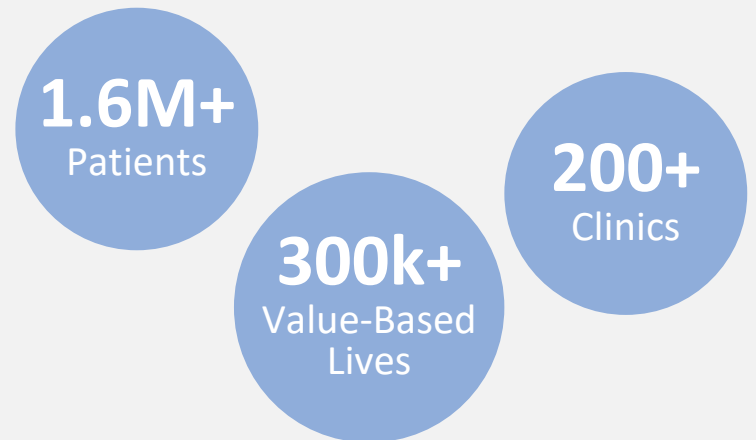
**Primary care is a gateway to the healthcare system**

**Over \$1.4T in addressable spend by 2025**

**Continued shift to value-based care**

## Provides WBA with a best-in-class primary care delivery platform

- VillageMD is a leading consumer-focused healthcare company
- Superior health outcomes for patients
- Serves all patient populations
- Integrates care model of pharmacy and primary care



600 → 1,000  
Co-Located  
Clinic Expansion

*Walgreens*



**Customer  
centric**

**Hyper  
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**Improving  
outcomes**

**Scale and  
momentum**

**Transformational  
partnerships**

# **Reimagining Healthcare** for the next era

Investor Day 2021

**Rx at  
the center**

**Delightful  
customer  
experiences**

**Lowering  
cost of care**

# Building and operationalizing our consumer-centric healthcare platform



## DIGITAL ENGAGEMENT

Empowering people to take control of their health by connecting the dots between their daily health with access to the quality and affordable personal care that they need

## PHYSICAL ENGAGEMENT

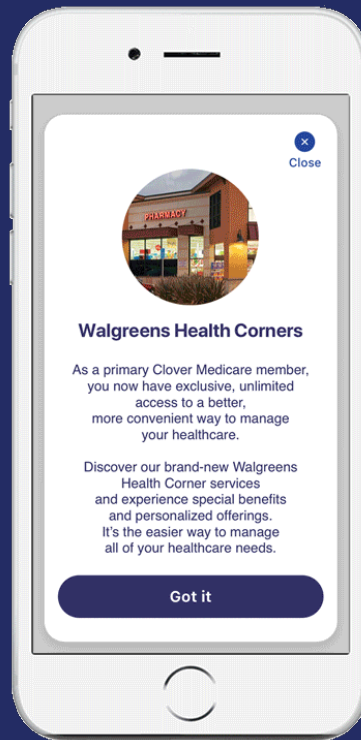
Taking the digital experience to the next level by offering in-person advice and expertise in a space within the member's community where they can actively address their health

# Introducing Walgreens Health Corner – Digital channel

## CONSUMER and CAREGIVER APP

Increasing engagement and improving access

Members are supported with **simple nudges, friendly reminders, and tools** to find providers and resources



## HEALTH MARKETPLACE

Curated and personalized products and services, covered by insurance

Enabling clinicians to select the right products at the point of care

Guidance, coaching, and chronic condition support at the Health Corner





# Introducing Walgreens Health Corner – Physical channel

Health Corners provide a differentiated space to deliver individualized clinical and non-clinical services

## PHYSICAL SPACE



Access to personalized, clinical expertise from licensed Health Advisors

## TECH BAR



Continuing education for OTC medications, remote patient monitoring devices, and chronic conditions and life changes

## HEALTH ADVISOR



Keeping the member connected to their local Health Corner, and building a trusted relationship

# Contracting with key payors across the industry

**Clover**

~60K Medicare lives

## Operational access to lives

**~40** Health Corners operational in market

**100K** Customer interactions in less than 6 months

**800+** Clover members received services

**~4,100** Care gap closure services performed

**blue**   
california

~1.8M Commercial Lives

## Rapidly expanding access to lives

**200+** Health Corners planned for California market - at scale

**Scaling** Walgreens Digital Health Corner and Health Marketplace

**Customer  
centric**

**Hyper  
localized**

**Improving  
outcomes**

**Scale and  
momentum**

**Transformational  
partnerships**

# **Reimagining Healthcare** for the next era

Investor Day 2021

**Rx at  
the center**

**Delightful  
customer  
experiences**

**Lowering  
cost of care**

# Measuring success of Walgreens Health

<i>Lives *</i>	<i>Partners</i>	<i>Sites of Care</i>		<i>Future Performance Metrics</i>
<b>2022:</b> 2M+	<b>2022:</b> 5 payor/ provider	<b>Walgreens Health Corners:</b> 100+ by YE22	1,200+ in 5 years 3,000 at scale	Consumer Experience (Physical and Digital)
<b>2025:</b> 10M+ of which 1M in risk	<b>2025:</b> 10+ payor/ provider	<b>VillageMD Co-located Clinics:</b> 160+ by YE22	600+ by YE25 1,000 by YE27	Consumer Experience and Economics Clinical Outcomes Cost of Care Commercialized Products

\* Figures are not inclusive of VillageMD

# Creating a differentiated physical and digital consumer-centric healthcare business

- ✓ 2 new strategic investments in care delivery
- ✓ Walgreens Digital and Physical Health Corners operationalized
- ✓ Key strategic contracts in place with 2 partners with 1.8M+ lives under contract
- ✓ Future growth will be through a balanced approach across organic and inorganic activities

*Walgreens*  
Health

# Focus the Portfolio

*Connecting investments and capital to strategy*

James Kehoe  
Global Chief Financial Officer  
WBA

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Walgreens Boots Alliance



# Refocus the portfolio and equity investments to prioritize core assets and healthcare ambitions

- ✓ Refined Capital Allocation principles, with sharper focus on U.S. and healthcare
- ✓ Portfolio transformation started: Alliance Healthcare divestiture for \$6.5B proceeds
- ✓ Optimize our portfolio of equity investments
  - Realign positions with strategy and synergy potential
  - Shields stake from 25% to 71%\*
- ✓ Acquisitions aligned with strategy, prioritizing healthcare
  - Acquired 55% stake in CareCentrix\*
  - Increased VillageMD stake to 63%\*

\*Subject to customary closing conditions

# Capital allocation priorities sharpened to align with strategy

## Capital allocation priorities

- Healthy balance of organic investments and strategic M&A
- Dividends increase over time
- Return excess cash to shareholders (investment grade rating)
- Optimize portfolio of equity investments

## M&A Criteria

- Investments aligned with strategy, prioritizing healthcare
- Focus on accelerating growth and enhancing capabilities / talent
- Disciplined financial approach – seeking attractive long-term returns

## Leverage

- Committed to investment grade
- May temporarily flex upward for strategic acquisitions
- Significant financial flexibility to enable strategic investments

# Comprehensive plan to unlock value from equity investments; announced CareCentrix and VillageMD strategy

## Priorities

- **Streamline equity investments** to align with growth strategy and synergy potential
- **Build an advantaged healthcare position:** prioritize investments in care delivery and population health
- **Select acquisitions** to enhance core U.S. business

## Recent Portfolio Actions

- Alliance Healthcare divested \$6.5Bn
- iA: core pharmacy operating model
- 71% of Shields: specialty pharmacy
- 55% of CareCentrix: post-acute and home care delivery
- \$5.2B investment in VillageMD: value-based care

# Deployed capital of \$5.5B to take majority positions in attractive care delivery assets

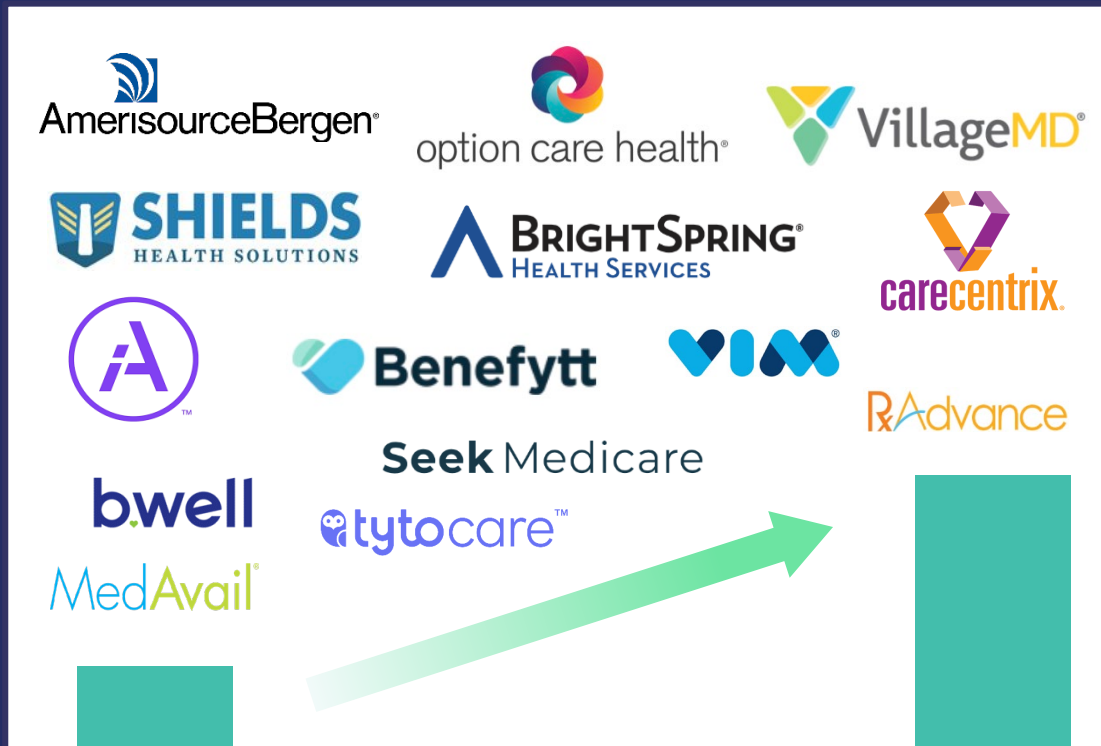
## VillageMD

- \$5.2B investment to raise stake to 63%
- Leading value-based primary care provider with 230 clinics in 15 markets and growing fast
- 1,000 VillageMD @ Walgreens commitment (increased from 600)
- FY22 Revenue \$1.3-1.5B, adj. EPS dilution of \$0.08-0.15
- Expect IPO to proceed later in CY22, with WBA remaining majority shareholder

## CareCentrix

- ~\$330M investment for a 55% initial stake; \$800M enterprise value
- Strong positions in post-acute and home care, providing care coordination and benefits management
- FY22 Revenue \$1.2-1.4B (est. closing in late CY21), EPS dilution of less than \$0.01
- 100% ownership expected in 1H CY23 following option exercise (12x LTM EBITDA)

# Attractive portfolio of investments with ~\$21B<sup>1</sup> valuation; streamlining positions to maximize returns



**U.S. Healthcare Investments: \$19.3 - \$20.5B**



**Other Investments: \$1.3 - \$1.5B**

(1) Estimated valuation based on: (A) publicly traded companies valued based on market price as of 10/4 and (B) and privately held companies based on (ii) balance sheet carrying value, (iii) public comps or (iv) latest financing rounds. Book values in our financial statements may differ.

# Culture and Team

*Enabling through a high-performing culture*

Roz Brewer  
Chief Executive Officer  
WBA

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for the next era



Walgreens Boots Alliance



# Clarifying our core values to enable the transformation



**Courageous**

**Connected**

**Committed**

**Curious**

# Hiring best-in-class talent to accelerate our growth



**DANIELLE GRAY**

**Chief Legal Officer,  
WBA**

*Prior Experience:  
BC NC, White House*



**HOLLY MAY**

**Chief Human Resources  
Officer, WBA**

*Prior Experience:  
Starbucks, Abercrombie*



**ANITA ALLEMAND**

**Chief Transformation  
and Integration Officer, WBA**

*Prior Experience:  
Optum, CVS Health*



**TRACEY BROWN**

**Chief Customer  
Officer, Walgreens**

*Prior Experience:  
ADA, Sam's Club*



**JEFF GRUENER**

**Chief Financial Officer,  
Walgreens**

*Prior Experience:  
Walmart, EY*

# FY21 / 4Q Earnings

James Kehoe  
Global Chief Financial Officer  
WBA

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Walgreens Boots Alliance

# FY21 and 4Q financial highlights

- Strong finish to the year, exceeded expectations
- 4Q continuing operations adj. EPS \$1.17, +28.1% above prior year in constant Fx
- FY21 continuing operations adj. EPS \$4.91, +13.7% above prior year in constant Fx
  - Includes 34.6 million doses of COVID-19 vaccines administered in the U.S.
- Strong cash generation and balance sheet de-levered
  - FY21 operating cash flow \$5.6bn and free cash flow \$4.2bn
  - Deleveraged balance sheet by \$6.5bn vs. last year

# FY21 and 4Q financial highlights

- 4Q results reflected strong execution across the board
  - U.S. comparable scripts +8.8%, boosted by COVID-19 vaccines +485bps; 21% share of 4Q vaccinations
  - U.S. retail comp sales growth +6.2%, +7.2% excl. tobacco and e-cig
  - UK recovery on track and regaining market share
  - Higher gross margins in U.S. pharmacy, U.S. retail and UK
- Transformational Cost Management Program delivered cumulative annual cost savings of over \$2bn, one year ahead of plan

# Continuing adjusted EPS grew +28.1% in 4Q; +13.7% in FY21

Results <i>\$ in millions (except EPS)</i>	4Q21	B/(W) vs. 4Q20		FY21	B/(W) vs. FY20	
		Reported Fx	Constant Fx		Reported Fx	Constant Fx
<b>Sales</b> <i>(continuing)</i>	\$34,262	+ 12.8%	+ 11.8%	\$132,509	+ 8.6%	+ 7.5%
<b>Operating income</b> <i>(continuing)</i>						
GAAP	\$910	+ 49.7%		\$2,342	+ 138.4%	
Adjusted	\$1,236	+ 22.9%	+ 22.1%	\$5,117	+ 8.2%	+ 7.7%
<b>EPS</b> <i>(total)</i>						
GAAP	\$0.72	+ 68.0%		\$2.93	+ \$2.42	
Adjusted	\$1.17	+ 14.9%	+ 13.6%	\$5.31	+ 11.9%	+ 11.0%
<b>EPS</b> <i>(continuing)</i>						
GAAP	\$0.41	+ 6.4%		\$2.30	+ \$2.10	
Adjusted	\$1.17	+ 29.5%	+ 28.1%	\$4.91	+ 14.6%	+ 13.7%



# Adjusted 4Q21 AOI growth of 22% led by strong adjusted gross profit growth in both segments

Results <i>\$ in millions</i>	4Q21			FY21		
	WBA	U.S.	Intl	WBA	U.S.	Intl
Sales <i>(continuing)</i>	\$34,262	\$28,755	\$5,507	\$132,509	\$112,005	\$20,505
% B/(W) vs. prior year	+ 11.8%	+ 6.6%	+ 52.6%	+ 7.5%	+ 4.0%	+ 34.1%
Adjusted gross profit	\$7,436	\$6,234	\$1,198	\$28,089	\$23,759	\$4,327
% B/(W) vs. prior year	+ 16.2%	+ 13.7%	+ 32.7%	+ 5.7%	+ 5.5%	+ 7.3%
Adjusted operating income	\$1,236	\$1,230	\$140	\$5,117	\$5,019	\$466
% B/(W) vs. prior year	+ 22.1%	+ 16.4%	+ \$129	+ 7.7%	+ 5.4%	+ \$281
KPIs						
Comp scripts		+ 8.8%			+ 5.0%	
Comp retail sales		+ 6.2%	+ 15.1%		+ 1.2%	+ 2.0%

\*All comparisons vs. prior year in constant Fx

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# Long-Term Growth

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Walgreens Boots Alliance

# Long-term EPS growth algorithm in the low teens, driven by advantaged healthcare business and moderate core growth

- ✓ Long Term Growth Algorithm highly influenced by pace of healthcare investments and capital allocation (organic vs inorganic)
  - 3 reporting segments in FY22: U.S., International, Walgreens Health
- ✓ First 3-years EPS growth ~4%, due to FY22 investments, lower vaccines
  - Accelerating growth: FY22: flat, FY23: MSD, FY24: M-HSD
- ✓ Long-term growth model (beyond FY24) with EPS growth in low teens
  - Faster growing higher margin healthcare business hits scale

Note: All references to EPS or EPS growth refer to Adjusted Continuing EPS at constant currencies;  
Long-term refers to time period beyond FY24, based on analysis going out 10 years to FY30

# Long-term growth – Corporate Assumptions

## Rising Tax Rate

- ✓ Tax rate trending higher (mix, higher rate U.S. income); FY22 16%, FY23 18.5%, FY24 20%, +50bps per annum thereafter
- ✓ Implications of current legislative proposals not considered

## Limited Share Repurchases in Short-term

- ✓ Not a priority in the short-term, focus on credit metrics
- ✓ Capital return is an important part of long-term growth algorithm

## Corporate / Other

- ✓ TCM Program savings: \$2.1B FY19-FY21, \$1.2B FY22-FY24
- ✓ Corporate costs flat to slightly growing

# Long-term growth – International Segment Assumptions

## Strong AOI growth over next 3 years

- ✓ AOI growth of >50% in FY22, with sales up +8-10%
  - Led by Boots UK strength, with AOI growing +55-60%
- ✓ International 3-yr AOI CAGR +25-30%: sales CAGR of +4-5%
  - Led by Boots UK 3-year AOI CAGR of >25%

## MSD long-term AOI growth

- ✓ Sales +3-4%, growing in line with market
- ✓ Mid-single digit AOI growth
  - Boots UK gross margin growing slightly, reflecting favorable mix
  - SG&A growth below inflation, cost savings continue

# Long-term growth – U.S. Segment Assumptions

## Headwinds

- ✓ Vaccinations FY21: 34.6M, FY22: ~25M
- ✓ Minimum Wage (gross impact): \$(450)M over three years
- ✓ AllianceRx (ARxWP): Sales \$(8)B, AOI \$(100)M in FY22

## Tailwinds

- ✓ Retail momentum exiting FY21, ROI on omni-investments
- ✓ New business: Financial services, Media, Testing and diagnostics

## Long-term growth model with moderate AOI growth

- ✓ FY22 sales (8)% (ARxWP, vaccines), long-term assumption +3.5-4.0%
- ✓ Long-term algorithm assumes AOI growth of ~+3%; FY22 AOI is flat/down due to lower vaccines, ARxWP
  - Gross margin declining slightly (retail up, pharmacy down, new businesses accretive)
  - SG&A growth below inflation (cost optimization)



# Long-term growth – Walgreens Health Segment Assumptions

- ✓ Sizeable sales potential:
  - Walgreens Health organic sales potential of at least \$3.5B
  - M&A sales outlook (CCX, VMD, Shields): FY22 ~\$3B, FY25 \$9-10B
- ✓ Attractive margin profile, above base WBA business
- ✓ EPS impact is material to WBA, contributing around 7%p to long-term growth
  - Organic: FY22 \$(210-230)M AOI, FY23 \$(300-320)M, FY24 \$(160-180)M
  - Healthcare M&A: dilutive FY22, accretive thereafter

# Long-term algorithm shows EPS growth accelerating to low teens, as healthcare segment scales up and margins build

	Next 3-years	LT-growth algorithm (FY25+)
Base	4.5%	2.5-3%
Healthcare	0.5%	6.5-7.5%
Tax rate	(1)%	(1)%
Share repurchases	-%	3.0-3.5%
<b>EPS growth % (constant Fx)</b>	<b>~4%</b>	<b>11-13%</b>

Note: All references to EPS or EPS growth refer to Adjusted Continuing EPS at constant currencies

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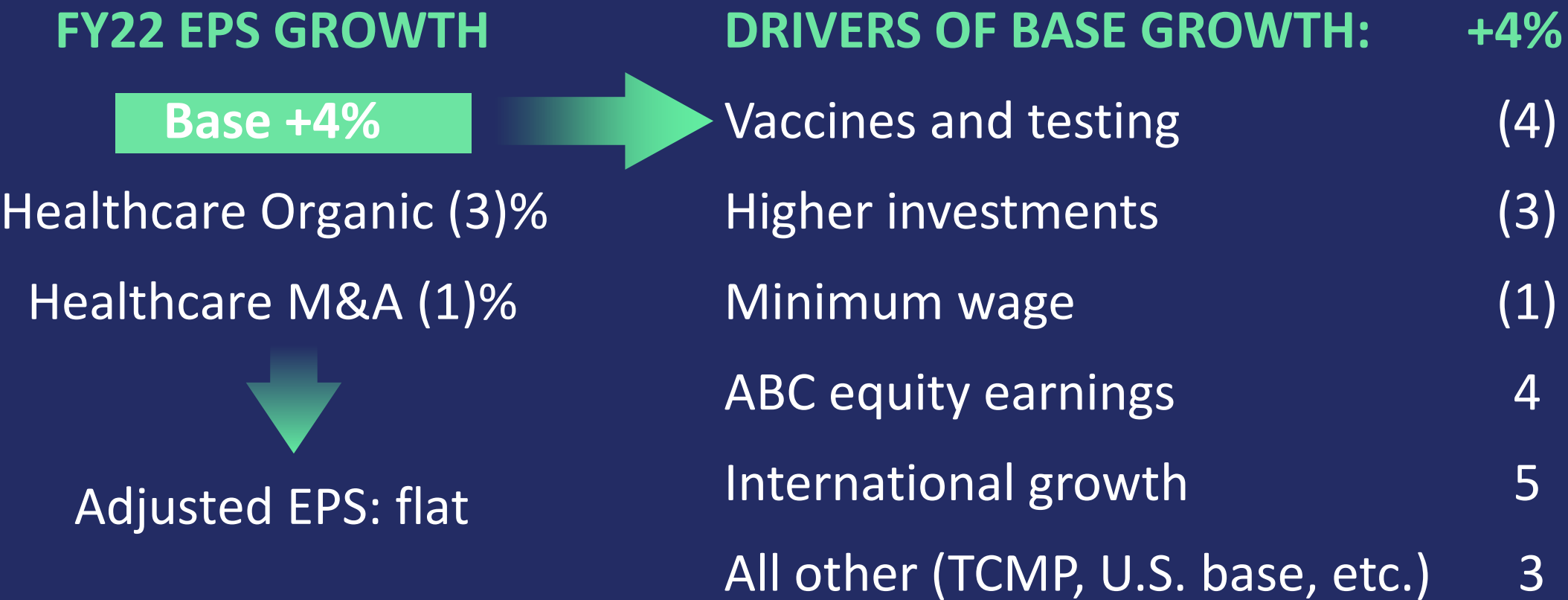
# FY22 Guidance

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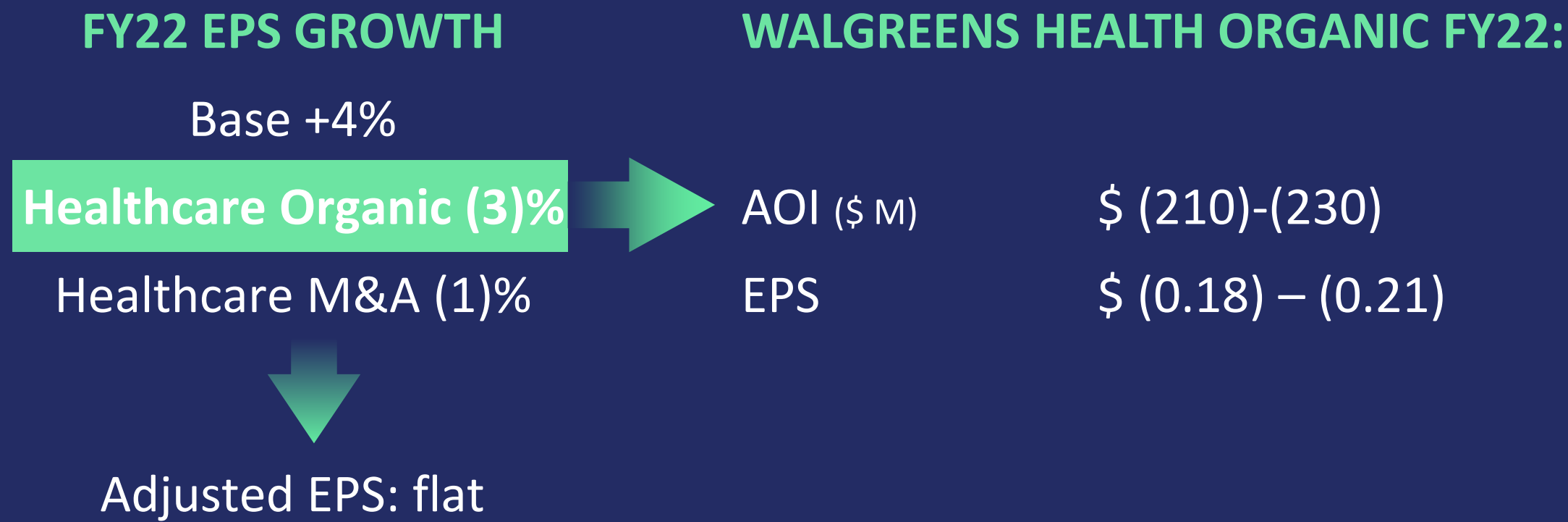


Walgreens Boots Alliance

Base growth of 4% includes over 8%p of headwinds, primarily from vaccines (4%p) and growth investments (3%p)



# Organic healthcare investment of \$(210)-\$(230)M in FY22, reduces EPS growth by 3%p



# Healthcare M&A will be (\$0.05) to (\$0.10) cents dilutive in FY22

## FY22 EPS GROWTH

Base +4%

Healthcare Organic (3)%

Healthcare M&A (1)%



Adjusted EPS: flat

## HEALTHCARE M&A FY22:

Sales (\$ B)	\$ 3.0-3.2
EPS	\$ (0.05) - \$(0.10)

Note: All references to EPS or EPS growth refer to Adjusted Continuing EPS at constant currencies



# Expecting strong start – 1H EPS growth +15-18%; full year base growth tempered by investments / lapping vaccines

## FY22 EPS GROWTH

Base +4%

Healthcare Organic (3)%

Healthcare M&A (1)%



Adjusted EPS: flat

**1H: +15-18%**

Lapping weak FY21 C/C/Flu

Higher vaccines 1H22

**2H: (14)-(17)%**

Tough prior year comps (vaccinations)

Healthcare investments

# Long-term algorithm shows EPS growth accelerating to low teens, as healthcare segment scales up and margins build

	Next 3-years	LT-growth algorithm (FY25+)
Base	4.5%	2.5-3%
Healthcare	0.5%	6.5-7.5%
Tax rate	(1)%	(1)%
Share repurchases	-%	3.0-3.5%
<b>EPS growth % (constant Fx)</b>	<b>~4%</b>	<b>11-13%</b>

Note: All references to EPS or EPS growth refer to Adjusted Continuing EPS at constant currencies

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# Closing Comments and Future Outlook

Roz Brewer  
Chief Executive Officer  
WBA

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# Future growth to be driven by our advantaged healthcare position

- ✓ Model shows accelerating EPS growth as WBA pivots deeper into healthcare and creates an innovative and advantaged business model
- ✓ EPS growth at ~4% CAGR first 3-years, held back by FY22 investments, lower vaccines
- ✓ Long-term growth model (beyond FY24) with EPS growth in low teens
- ✓ Creating a differentiated consumer centric healthcare business unlocks material long-term revenue and EPS growth

- 1 We have an **integrated healthcare, pharmacy, and retail strategy**, enabling **sustainable, profitable growth**
- 2 We are well on our way to our **new healthcare vision and ambition**
- 3 We are putting the **right capabilities, assets, and operating model in place**
- 4 We are committed to **enhanced communication and transparency**
- 5 Our revitalized strategy, and **intensified executional focus**, have the capacity to drive strong returns

# Q&A



**Customer  
centric**

**Hyper  
localized**

**Improving  
outcomes**

**Scale and  
momentum**

**Transformational  
partnerships**

**Rx at  
the center**

**Delightful  
customer  
experiences**

**Lowering  
cost of care**

# **Reimagining Healthcare** for the next era

Investor Day 2021

# Endnotes

- Unless otherwise noted, all prior year numbers have been recast for continuing operations. Refer to WBA's Current Report on Form 8-K filed on March 31, 2021.
- 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.
  - United States segment GAAP results, dollars in millions – 4Q21: gross profit \$6,302; operating income \$1,011; and operating margin 3.3%. YTD21: gross profit \$23,736; operating income \$2,554;
  - International segment GAAP results on a reported currency basis, dollars in millions – 4Q21: gross profit \$1,198; operating income \$46; In 4Q21 compared to prior year quarter, on a reported currency basis, the segment's sales increased 61.8%; operating income recovered \$176 million; FY21: gross profit \$4,328; operating income \$227; In FY21 compared to prior year period, on a reported currency basis, the segment's sales increased 43.6%; operating income recovered \$2.3 billion;
  - 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 Store damage and inventory losses, Transformational cost management, LIFO provision, Store optimization and Acquisition-related amortization. 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.
- All references to earnings per share (EPS) are to diluted net earnings per share attributable to Walgreens Boots Alliance, Inc.
- For our United States and International segment, comparable sales are defined as sales from stores that have been open for at least twelve consecutive months without closure for seven or more consecutive days, including due to looting or store damage, and without a major remodel or being subject to a natural disaster in the past twelve months as well as e-commerce sales. E-commerce sales include digitally initiated sales online or through mobile applications. Relocated stores are not included as comparable sales for the first twelve months after the relocation. Acquired stores are not included as comparable sales for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable sales, comparable pharmacy sales, comparable retail sales, comparable number of prescriptions and comparable number of 30-day equivalent prescriptions refer to total sales, pharmacy sales, retail sales, number of prescriptions and number of 30-day equivalent prescriptions, respectively. Comparable retail sales for previous periods have been restated to include e-commerce sales. 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 International division, comparable sales, comparable pharmacy sales and comparable retail sales, are presented on a constant currency basis, which is a non-GAAP financial measure. Refer to the discussion above for further details on constant currency calculations.
- United States Pharmacy prescriptions (including vaccinations) 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 August 31, 2021 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.
- Boots UK retail market share insights, where quoted, as of September 4, 2021.

# 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 and discussed on the related conference call 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. Please refer to the notes to the “Net Earnings and Diluted Net Earnings (Loss) Per Share” reconciliation table for definitions of non-GAAP financial measures and related adjustments presented in this presentation. 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 related to fiscal year 2022 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 or cannot be reasonably predicted, and that would impact 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 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 twelve months ended August 31, 2021.*

## **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 2021” refer to our fiscal year ended August 31, 2021.*

# Reconciliation of Non-GAAP financial measures

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

## NET EARNINGS

	Three months ended August 31,		Change vs. 4Q20		Twelve months ended August 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
<b>Net Earnings From Continuing Operations (GAAP)</b>	\$ 358	\$ 337	\$ 21	6.2 %	\$ 1,994	\$ 180	\$ 1,814	NM
<b>Adjustments to operating income (loss):</b>								
Adjustments to equity earnings in AmerisourceBergen <sup>1</sup>	70	49			1,645	97		
Acquisition-related amortization <sup>2</sup>	156	94			523	384		
Transformational cost management <sup>3</sup>	79	212			417	719		
Certain legal and regulatory accruals and settlements <sup>4</sup>	15	—			75	—		
Acquisition-related costs <sup>5</sup>	29	24			54	315		
Impairment of goodwill and intangible assets <sup>6</sup>	49	15			49	2,016		
LIFO provision <sup>7</sup>	(73)	6			13	95		
Store damage and inventory losses <sup>8</sup>	—	(7)			—	68		
Store optimization <sup>3</sup>	—	5			—	53		
<b>Total adjustments to operating income</b>	<b>325</b>	<b>398</b>			<b>2,775</b>	<b>3,747</b>		
<b>Adjustments to other income (expense):</b>								
Net investment hedging (gain) loss <sup>9</sup>	2	(4)			8	(11)		
Impairment of equity method investment	—	—			—	71		
Gain on sale of equity method investment <sup>10</sup>	—	—			(290)	(1)		
<b>Total adjustments to other income</b>	<b>3</b>	<b>(4)</b>			<b>(281)</b>	<b>59</b>		
<b>Adjustments to interest expense (income), net:</b>								
Early debt extinguishment <sup>11</sup>	(5)	—			414	—		
<b>Total adjustments to interest expense (income), net</b>	<b>(5)</b>	<b>—</b>			<b>414</b>	<b>—</b>		

NM- Not meaningful. Percentage increases/decreases when one period includes income and other period includes loss are considered not meaningful.

# Reconciliation of Non-GAAP financial measures

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

## NET EARNINGS

	Three months ended August 31,		Change vs. 4Q20		Twelve months ended August 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
<b>Adjustments to income tax provision:</b>								
UK tax rate changes <sup>12</sup>	378	139			378	139		
U.S. tax law changes <sup>12</sup>	—	—			—	(6)		
Equity method non-cash tax <sup>12</sup>	8	8			(161)	60		
Tax impact of adjustments <sup>12</sup>	(38)	(84)			(283)	(433)		
Total adjustments to income tax provision	348	64			(65)	(240)		
<b>Adjustments to post tax equity earnings from other equity method investments:</b>								
Adjustments to equity earnings in other equity method investments <sup>13</sup>	17	8			(504)	54		
Total adjustments to post tax equity earnings from other equity method investments	17	8			(504)	54		
<b>Adjustments to net (loss) attributable to noncontrolling interests:</b>								
Acquisition-related amortization <sup>2</sup>	(30)	(4)			(75)	(4)		
Transformational cost management <sup>3</sup>	(2)	(10)			1	(10)		
Impairment of goodwill and intangible assets <sup>6</sup>	—	—			—	(14)		
LIFO provision <sup>7</sup>	5	(1)			(2)	(1)		
Total adjustments to net (loss) attributable to noncontrolling interests	(27)	(15)			(77)	(29)		
<b>Adjusted net earnings attributable to Continuing Operations (Non-GAAP measure)</b>	<b>\$ 1,019</b>	<b>\$ 786</b>	<b>\$ 233</b>	<b>29.6 %</b>	<b>\$ 4,256</b>	<b>\$ 3,772</b>	<b>\$ 484</b>	<b>12.8 %</b>

# Reconciliation of Non-GAAP financial measures

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

## NET EARNINGS

	Three months ended August 31,		Change vs. 4Q20		Twelve months ended August 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations (GAAP)	\$ 268	\$ 36	\$ 232	NM	\$ 548	\$ 277	\$ 271	97.8 %
Acquisition-related amortization <sup>2</sup>	—	19			28	76		
Transformational cost management <sup>3</sup>	—	58			1	73		
Acquisition-related costs <sup>5</sup>	44	1			92	1		
Gain on disposal of discontinued operations	(322)	—			(322)	—		
Tax impact of adjustments <sup>12</sup>	10	(14)			(6)	(25)		
<b>Total adjustments to net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations</b>	<b>\$ (268)</b>	<b>\$ 64</b>			<b>\$ (206)</b>	<b>\$ 126</b>		
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations (Non-GAAP measure)</b>	<b>\$ —</b>	<b>\$ 100</b>	<b>\$ (100)</b>	<b>(100.0)%</b>	<b>\$ 342</b>	<b>\$ 403</b>	<b>\$ (61)</b>	<b>(15.1)%</b>
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. - (Non-GAAP measure)</b>	<b>\$ 1,019</b>	<b>\$ 887</b>	<b>\$ 132</b>	<b>14.9 %</b>	<b>\$ 4,598</b>	<b>\$ 4,175</b>	<b>\$ 423</b>	<b>10.1 %</b>

NM- Not meaningful. Percentage increases/decreases when one period includes income and other period includes loss are considered not meaningful.



# Reconciliation of Non-GAAP financial measures

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

<u>DILUTED NET EARNINGS (LOSS) PER SHARE</u>	Three months ended August 31,		Change vs. 4Q20		Twelve months ended August 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
Diluted net earnings per common share - continuing operations (GAAP)	\$ 0.41	\$ 0.39	\$ 0.02	5.1 %	\$ 2.30	\$ 0.20	\$ 2.10	NM
Adjustments to operating income	0.38	0.46			3.20	4.26		
Adjustments to other income (expense)	—	—			(0.32)	0.07		
Adjustments to interest expense (income), net	(0.01)	—			0.48	—		
Adjustments to income tax provision (benefit)	0.40	0.07			(0.08)	(0.27)		
Adjustments to earnings from other equity method investments <sup>13</sup>	0.02	0.01			(0.58)	0.06		
Adjustments to net earnings (loss) attributable to noncontrolling interests	(0.03)	(0.02)			(0.09)	(0.03)		
<b>Adjusted diluted net earnings per common share - continuing operations (Non-GAAP measure)</b>	<b>\$ 1.17</b>	<b>\$ 0.91</b>	<b>\$ 0.26</b>	<b>28.6 %</b>	<b>\$ 4.91</b>	<b>\$ 4.28</b>	<b>\$ 0.63</b>	<b>14.7 %</b>
<b>Diluted net earnings per common share - discontinued operations (GAAP)</b>	<b>0.31</b>	<b>0.04</b>	<b>\$ 0.27</b>	<b>NM</b>	<b>0.63</b>	<b>0.31</b>	<b>\$ 0.32</b>	<b>NM</b>
Total adjustments to net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations	(0.31)	0.07			(0.24)	0.14		
<b>Adjusted diluted net earnings per common share - discontinued operations (Non-GAAP measure)</b>	<b>—</b>	<b>0.12</b>	<b>\$ (0.12)</b>	<b>(100.0)%</b>	<b>\$ 0.39</b>	<b>\$ 0.46</b>	<b>\$ (0.07)</b>	<b>(15.2)%</b>
<b>Adjusted diluted net earnings per common share (Non-GAAP measure)</b>	<b>\$ 1.17</b>	<b>\$ 1.02</b>	<b>\$ 0.15</b>	<b>14.7 %</b>	<b>\$ 4.74</b>	<b>\$ 5.99</b>	<b>\$ 0.57</b>	<b>12.0 %</b>
Weighted average common shares outstanding, diluted (in millions)	867.2	867.1			866.4	880.3		

NM- Not meaningful. Percentage increases/decreases when one period includes income and other period includes loss are considered not meaningful.

# Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries

Supplemental Information (unaudited)

(in millions)

- 1 Adjustments to equity earnings (loss) in AmerisourceBergen consist of the Company's proportionate share of non-GAAP adjustments reported by AmerisourceBergen consistent with the Company's non-GAAP measures. The Company recognized equity losses in AmerisourceBergen of \$1,373 million during the three months ended November 30, 2020. These equity losses are primarily due to AmerisourceBergen's recognition of \$5.6 billion, net of tax, charges related to its ongoing opioid litigation in its financial statements for the three months period ended September 30, 2020.
- 2 Acquisition-related amortization includes amortization of acquisition-related intangible assets and inventory valuation adjustments. Amortization of acquisition-related intangible assets includes amortization of intangibles assets such as customer relationships, trade names, trademarks and contract intangibles. Intangible asset amortization excluded from the related non-GAAP measure represents the entire amount recorded within the Company's GAAP financial statements. The revenue generated by the associated intangible assets has not been excluded from the related non-GAAP measures. Amortization expense, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised. These charges are primarily recorded within selling, general and administrative expenses. Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of the inventory reflects cost of acquired inventory and a portion of the expected profit margin. The acquisition-related inventory valuation adjustments exclude the expected profit margin component from cost of sales recorded under the business combination accounting principles.
- 3 Transformational Cost Management Program and Store Optimization Program charges are costs associated with a formal restructuring plan. These charges are primarily recorded within selling, general and administrative expenses. These costs do not reflect current operating performance and are impacted by the timing of restructuring activity.
- 4 Certain legal and regulatory accruals and settlements relate to significant charges associated with certain legal proceedings. The Company excludes these charges when evaluating operating performance because it does not incur such charges on a predictable basis and exclusion of such charges enables more consistent evaluation of the Company's operating performance. These charges are recorded within selling, general and administrative expenses.
- 5 Acquisition-related costs are transaction and integration costs associated with certain merger, acquisition and divestitures related activities. These costs include all charges incurred on certain mergers, acquisition and divestitures related activities, for example, including costs related to integration efforts for successful merger, acquisition and divestitures activities. These charges are primarily recorded within selling, general and administrative expenses. These costs are significantly impacted by the timing and complexity of the underlying merger, acquisition and divestitures related activities and do not reflect the Company's current operating performance.
- 6 Goodwill and intangible assets arising from acquisition related activities are recorded by the Company following the analysis to determine the fair value of consideration paid and the assignment of fair values to all tangible and intangible assets acquired. Impairment of goodwill and intangible assets do not relate to the ordinary course of the Company's business. The Company excludes these charges when evaluating operating performance because it does not incur such charges on a predictable basis and exclusion of such charges enables more consistent evaluation of the Company's operating performance. These charges are recorded within selling, general and administrative expenses.
- 7 The Company's United States segment inventory is accounted for using the last-in-first-out ("LIFO") method. This adjustment represents the impact on cost of sales as if the United States segment inventory is accounted for using first-in first-out ("FIFO") method. The LIFO provision is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences. Therefore, the Company cannot control the amounts recognized or timing of these items.
- 8 Store damage and inventory losses as a result of looting in the U.S., net of insurance recoveries.
- 9 Gain or loss on certain derivative instruments used as economic hedges of the Company's net investments in foreign subsidiaries. These charges are recorded within other income (expense). We do not believe this volatility related to mark-to-market adjustment on the underlying derivative instruments reflects the Company's operational performance.
- 10 Includes significant gain on sale of equity method investment. During the fiscal year ended August 31, 2021, the Company recorded a gain of \$290 million in Other income due to a partial sale of ownership interests in Option Care Health by the Company's equity method investee HC Group Holdings.
- 11 Loss on early extinguishment of debt related to the Company's cash tender offers to partially purchase and retire \$3.3 billion of long term U.S. denominated notes. The Company excludes these charges to enable a more consistent evaluation of the Company's financial performance.
- 12 Adjustments to income tax provision include adjustments to the GAAP basis tax provision commensurate with non-GAAP adjustments and certain discrete tax items including tax law changes and equity method non-cash tax. These charges are recorded within income tax provision (benefit).
- 13 Adjustments to post tax equity earnings from other equity method investments consist of the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the Company's non-GAAP adjustments. These charges are recorded within post tax earnings (loss) from other equity method investments. 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. In the three months ended May 31, 2021 due to partial sales of ownership interests in Option Care Health, our equity method investee HC Group Holdings lost the ability to control Option Care Health and, therefore, deconsolidated Option Care Health in its financial statements. As a result of this deconsolidation, HC Group Holdings recognized a gain of \$1.2 billion and the Company recorded its share of equity earnings in HC Group Holdings of \$576 million during the three months ended May 31, 2021.

# Reconciliation of Non-GAAP financial measures

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

	Three months ended August 31, 2021			
	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 28,755	\$ 5,507	\$ —	\$ 34,262
<b>Gross profit (GAAP)</b>	<b>\$ 6,302</b>	<b>\$ 1,198</b>	<b>\$ 3</b>	<b>\$ 7,503</b>
Acquisition-related amortization	5	—	—	5
Transformational cost management	—	—	—	—
LIFO provision	(73)	—	—	(73)
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 6,234</b>	<b>\$ 1,198</b>	<b>\$ 3</b>	<b>\$ 7,436</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 1,011</b>	<b>\$ 46</b>	<b>\$ (147)</b>	<b>\$ 910</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	70	—	—	70
Acquisition-related amortization	137	18	—	156
Transformational cost management	66	11	2	79
Certain legal and regulatory accruals and settlements	15	—	—	15
Acquisition-related costs	4	16	9	29
Impairment of goodwill and intangible assets	—	49	—	49
LIFO provision	(73)	—	—	(73)
<b>Adjusted operating income (loss) (Non-GAAP measure)</b>	<b>\$ 1,230</b>	<b>\$ 140</b>	<b>\$ (135)</b>	<b>\$ 1,236</b>
Gross margin (GAAP)	21.9 %	21.8 %		21.9 %
Adjusted gross margin (Non-GAAP measure)	21.7 %	21.8 %		21.7 %

<sup>1</sup> Operating income (loss) for United States includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three and twelve month period ended August 31, 2021 includes AmerisourceBergen equity earnings (loss) for the period of April 1, 2021 through June 30, 2021 and the period of July 1, 2020 through June 30, 2021, respectively. Operating income (loss) for the three and twelve month period ended August 31, 2020 includes AmerisourceBergen equity earnings for the period of April 1, 2020 through June 30, 2020, and the period of July 1, 2019 through June 30, 2020, respectively.

# Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries

Supplemental Information (unaudited)

(in millions)

Three months ended August 31, 2020

	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 26,967	\$ 3,403	\$ —	\$ 30,371
<b>Gross profit (GAAP)</b>	<b>\$ 5,486</b>	<b>\$ 838</b>	<b>\$ —</b>	<b>\$ 6,324</b>
Transformational cost management	(1)	(1)	—	(2)
LIFO provision	6	—	—	6
Store damages and inventory losses	(6)	—	—	(6)
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 5,485</b>	<b>\$ 837</b>	<b>\$ —</b>	<b>\$ 6,322</b>
<b>Operating income (GAAP)</b>	<b>\$ 807</b>	<b>\$ (130)</b>	<b>\$ (69)</b>	<b>\$ 608</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	49	—	—	49
Acquisition-related amortization	77	17	—	94
Transformational cost management	108	95	9	211
Acquisition-related costs	12	4	8	24
Impairment of goodwill and intangible assets	—	15	—	15
LIFO provision	6	—	—	6
Store optimization	5	—	—	5
Store damages and inventory losses	(7)	—	—	(7)
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 1,057</b>	<b>\$ 2</b>	<b>\$ (52)</b>	<b>\$ 1,006</b>
Gross margin (GAAP)	20.3 %	24.6 %		20.8 %
Adjusted gross margin (Non-GAAP measure)	20.3 %	24.6 %		20.8 %

<sup>1</sup> Operating income (loss) for United States includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three and twelve month period ended August 31, 2021 includes AmerisourceBergen equity earnings (loss) for the period of April 1, 2021 through June 30, 2021 and the period of July 1, 2020 through June 30, 2021, respectively. Operating income (loss) for the three and twelve month period ended August 31, 2020 includes AmerisourceBergen equity earnings for the period of April 1, 2020 through June 30, 2020, and the period of July 1, 2019 through June 30, 2020, respectively.

# Reconciliation of Non-GAAP financial measures

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

	Twelve months ended August 31, 2021			
	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 112,005	\$ 20,505	\$ —	\$ 132,509
Gross profit (GAAP)	\$ 23,736	\$ 4,328	\$ 4	\$ 28,067
Transformational cost management	—	(2)	—	(1)
Acquisition-related amortization	11	—	—	11
LIFO provision	13	—	—	13
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 23,759</b>	<b>\$ 4,327</b>	<b>\$ 4</b>	<b>\$ 28,089</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 2,554</b>	<b>\$ 227</b>	<b>\$ (439)</b>	<b>\$ 2,342</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	1,645	—	—	1,645
Acquisition-related amortization	448	75	—	523
Transformational cost management	279	91	46	417
Certain legal and regulatory accruals and settlements	75	—	—	75
Acquisition-related costs	6	24	24	54
Impairment of goodwill and intangible assets	—	49	—	49
LIFO provision	13	—	—	13
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 5,019</b>	<b>\$ 466</b>	<b>\$ (368)</b>	<b>\$ 5,117</b>
Gross margin (GAAP)	21.2 %	21.1 %		21.2 %
Adjusted gross margin (Non-GAAP measure)	21.2 %	21.1 %		21.2 %

<sup>1</sup> Operating income (loss) for United States includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three and twelve month period ended August 31, 2021 includes AmerisourceBergen equity earnings (loss) for the period of April 1, 2021 through June 30, 2021 and the period of July 1, 2020 through June 30, 2021, respectively. Operating income (loss) for the three and twelve month period ended August 31, 2020 includes AmerisourceBergen equity earnings for the period of April 1, 2020 through June 30, 2020, and the period of July 1, 2019 through June 30, 2020, respectively.

# Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries

Supplemental Information (unaudited)

Twelve months ended August 31, 2020

(in millions)

	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 107,701	\$ 14,281	\$ —	\$ 121,982
<b>Gross profit (GAAP)</b>	<b>\$ 22,302</b>	<b>\$ 3,774</b>	<b>\$ 2</b>	<b>\$ 26,078</b>
Transformational cost management	3	2	—	5
Acquisition-related costs	67	—	—	67
LIFO provision	95	—	—	95
Store damage and inventory losses	54	—	—	54
Store optimization	1	—	—	1
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 22,523</b>	<b>\$ 3,776</b>	<b>\$ 2</b>	<b>\$ 26,301</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 3,312</b>	<b>\$ (2,090)</b>	<b>\$ (239)</b>	<b>\$ 982</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	97	—	—	97
Acquisition-related amortization	309	75	—	384
Transformational cost management	498	182	40	719
Acquisition-related costs	296	6	12	315
Impairment of goodwill and intangible assets	32	1,984	—	2,016
LIFO provision	95	—	—	95
Store damage and inventory losses	68	—	—	68
Store optimization	53	—	—	53
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 4,761</b>	<b>\$ 157</b>	<b>\$ (187)</b>	<b>\$ 4,730</b>
Gross margin (GAAP)	20.7 %	26.4 %		21.4 %
Adjusted gross margin (Non-GAAP measure)	20.9 %	26.4 %		21.6 %

<sup>1</sup> Operating income (loss) for United States includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three and twelve month period ended August 31, 2021 includes AmerisourceBergen equity earnings (loss) for the period of April 1, 2021 through June 30, 2021 and the period of July 1, 2020 through June 30, 2021, respectively. Operating income (loss) for the three and twelve month period ended August 31, 2020 includes AmerisourceBergen equity earnings for the period of April 1, 2020 through June 30, 2020, and the period of July 1, 2019 through June 30, 2020, respectively.



# Reconciliation of Non-GAAP financial measures

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

## FREE CASH FLOW

	Three months ended August 31,		Twelve months ended August 31,	
	2021	2020	2021	2020
Net cash provided by operating activities (GAAP)	\$ 1,245	\$ 2,086	\$ 5,555	\$ 5,484
Less: Additions to property, plant and equipment	(378)	(411)	(1,379)	(1,374)
<b>Free cash flow - (Non-GAAP measure) <sup>1</sup></b>	<b>\$ 867</b>	<b>\$ 1,675</b>	<b>\$ 4,176</b>	<b>\$ 4,111</b>

<sup>1</sup> 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.