

# Fiscal 2021

## Third Quarter Results

July 1, 2021



Walgreens Boots Alliance

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# Safe harbor and non-GAAP

**Cautionary Note Regarding Forward-Looking Statements:** All statements in these materials and the related presentation that are not historical including, without limitation, estimates of and goals for future operating, financial and tax performance and results, including our fiscal year 2021 guidance and related assumptions and drivers, as well as forward-looking statements concerning the expected execution and effect of our business strategies, the potential impacts on our business of the spread and impacts of the COVID-19 pandemic, including the estimated impacts herein, our cost-savings and growth initiatives, pilot programs, strategic investments, partnerships and initiatives and restructuring activities and the amounts and timing of their expected impact, including statements relating to our expected cost savings under our Transformational Cost Management and store optimization programs, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements in the future tense and all statements accompanied by words such as “expect,” “likely,” “outlook,” “forecast,” “preliminary,” “pilot,” “would,” “could,” “should,” “can,” “will,” “project,” “intend,” “plan,” “goal,” “guidance,” “target,” “aim,” “continue,” “sustain,” “synergy,” “transform,” “accelerate,” “model,” “longterm,” “on track,” “on schedule,” “headwind,” “tailwind,” “believe,” “seek,” “estimate,” “anticipate,” “upcoming,” “to come,” “may,” “possible,” “assume,” and variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, known or unknown, that could cause actual results to vary materially from those indicated or anticipated.

These risks, assumptions and uncertainties include those described Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended August 31, 2020 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 22 and the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable U.S. GAAP financial measures and related information.

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



# Introduction

- **Delivered a very strong quarter**
- **Alliance Healthcare divestiture is complete**
- **Strong execution in the administration of COVID-19 vaccines in the U.S.**
- **Continued investments to innovate for the future**



# Playing a key role in pandemic recovery



## Vaccinations

**>25m vaccinations** administered to date

**95% of Walgreens locations** administering vaccines

**>1,100 off-site clinics** in medically underserved communities



## Testing solutions

**>9m tests** since pandemic onset

Trained pharmacy staff; expanded **testing capabilities to ~6k locations**

Solidified role in **testing, diagnostics and vaccinations**



# WBA Financial Performance



# 3Q financial highlights

- **Total adjusted EPS \$1.51; exceeded expectations**
  - +81.4% above prior year in constant Fx
- **Continuing operations adjusted EPS \$1.38**
  - +93.6% above prior year in constant Fx
  - Includes benefit from COVID-19
- **Strong cash generation year-to-date**
  - Operating cash flow \$4.3bn
  - Free cash flow \$3.3bn, +35.8% vs. prior year
- **Raising continuing adjusted EPS guidance to ~10% growth at constant Fx**



# 3Q financial highlights

<b>Results</b>		<b>3Q21</b>	<b>Reported Fx B/(W) vs. 3Q20</b>	<b>Constant Fx B/(W) vs. 3Q20</b>
<i>\$ in millions (except EPS)</i>				
<b>Sales (continuing)</b>		<b>\$34,030</b>	<b>+ 12.1%</b>	<b>+ 10.4%</b>
<b>Operating income (continuing)</b>	<b>GAAP</b>	<b>\$1,134</b>	<b>+ \$2,817</b>	
	<b>Adjusted</b>	<b>\$1,459</b>	<b>+ 82.9%</b>	<b>+ 82.4%</b>
<b>EPS - total</b>	<b>GAAP</b>	<b>\$1.38</b>	<b>+ \$3.33</b>	
	<b>Adjusted</b>	<b>\$1.51</b>	<b>+ 83.4%</b>	<b>+ 81.4%</b>
<b>EPS - discontinued</b>	<b>GAAP</b>	<b>\$0.11</b>	<b>+ 8.8%</b>	
	<b>Adjusted</b>	<b>\$0.14</b>	<b>+ 14.1%</b>	<b>+ 9.3%</b>
<b>EPS - continuing</b>	<b>GAAP</b>	<b>\$1.27</b>	<b>+ \$3.32</b>	
	<b>Adjusted</b>	<b>\$1.38</b>	<b>+ 95.1%</b>	<b>+ 93.6%</b>



# Year-to-date FY21 financial highlights

<u>Results</u>		YTD21	Reported Fx B/(W) vs. YTD20	Constant Fx B/(W) vs. YTD20
<i>\$ in millions (except EPS)</i>				
Sales (continuing)		\$98,247	+ 7.2%	+ 6.1%
Operating income (continuing)	GAAP	\$1,432	+ \$1,058	
	Adjusted	\$3,881	+ 4.2%	+ 3.9%
EPS - total	GAAP	\$2.21	+ \$2.12	
	Adjusted	\$4.13	+ 11.2%	+ 10.3%
EPS - discontinued	GAAP	\$0.32	+ 18.7%	
	Adjusted	\$0.39	+ 15.5%	+ 14.1%
EPS - continuing	GAAP	\$1.89	+ \$2.07	
	Adjusted	\$3.74	+ 10.7%	+ 9.9%





# United States – financials

<u>Continuing operations</u>				
<i>\$ in millions</i>	3Q21	B/(W) vs. 3Q20	YTD21	B/(W) vs. YTD20
Sales	\$28,743	+ 5.1%	\$83,250	+ 3.1%
Adj. gross profit	\$6,149	+ 14.5%	\$17,525	+ 2.9%
Adj. SG&A % of sales	16.8%	- 0.2%p	17.0%	0.0%p
Adj. operating income	\$1,471	+ 50.3%	\$3,789	+ 2.3%
Adj. operating margin <sup>1</sup>	4.6%	+ 1.5%p	4.1%	- 0.1%p



# United States – pharmacy

<b>3Q21 vs. 3Q20</b>	<b>3Q Total</b>	<b>3Q Comparable</b>	<b>YTD Total</b>	<b>YTD Comparable</b>
<b>Pharmacy sales</b>	<b>+ 6.3%</b>	<b>+ 8.4%</b>	<b>+ 5.1%</b>	<b>+ 6.0%</b>
<b>Prescriptions</b>	<b>+ 8.7%</b>	<b>+ 9.8%</b>	<b>+ 2.3%</b>	<b>+ 3.8%</b>

- **3Q Rx script comp. grew +9.8% boosted by COVID-19 immunizations ~+6%**
  - COVID-19 vaccinations 17 million in the quarter
- **Pharmacy margin increased due to favorable mix from vaccinations**



\*Total prescription growth negatively impacted by store optimization program 50bps

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

# United States – retail

<b>3Q21 vs. 3Q20</b>	<b>3Q</b>	<b>YTD</b>
<b>Total retail sales</b>	<b>+ 1.4%</b>	<b>- 2.6%</b>
<b>Comparable retail sales</b>	<b>+ 1.7%</b>	<b>- 0.5%</b>

- **3Q comp. retail sales +1.7%; excluding tobacco & e-cig. +2.6%, improving sequentially**
  - Weak cough, cold and flu ebbs and mass personalization boosts results
  - Store traffic accelerated as key markets continued to reopen, lapping last year stock-up; transactions +6.5%, basket size -4.5%
  - Strength in Photo +54%, Beauty +14.9%, Health & Wellness +7.1% ex. cough, cold, flu
- **Margin expanded ~+100bps vs. prior year driven by improved mix**
- **Digitally initiated retail sales increased +95% in 3Q**



\*Total retail growth negatively impacted by store optimization program 50bps

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# International – financials

<u>Continuing operations</u>		Constant Fx		Constant Fx
<i>\$ in millions</i>	3Q21	B/(W) vs. 3Q20	YTD21	B/(W) vs. YTD20
Sales	\$5,288	+ 58.7%	\$14,998	+ 28.3%
Adj. gross profit	\$1,060	+ 38.6%	\$3,129	+ 0.0%
Adj. SG&A % of sales	18.3%	+ 9.2%p	18.7%	+ 6.7%p
Adj. operating income	\$94	+ \$222	\$326	+ \$152
Adj. operating margin	1.8%	+ 6.3%p	2.2%	+ 0.8%p

- Less severe UK restrictions & focused execution led to significant rebound from prior year loss; UK market tracking below prior expectation
- Germany wholesale JV provided +46.6% sales lift, dilutive to adj. operating margin by ~-200bps



# Boots UK – financials

3Q21 vs. 3Q20 (constant Fx)	3Q	YTD
Pharmacy comp. sales	+ 3.7%	+ 3.1%
Retail comp. sales	+ 38.7%	- 3.2%

- Pharmacy comp. sales +3.7%; demand for additional services and favorable NHS funding phasing more than offset lower prescription volume
- Phased reopening of UK high street led to rebound in retail sales, lapped severe COVID-19 restrictions in prior year
  - High street retail sales improved significantly in April/May
  - Discretionary categories showing strong rebound; Beauty +85% vs. prior year
  - Boots.com sales +42%, slightly pulling back in May as customers return to stores
  - Store transactions remain below pre-COVID level due to slower pace of market recovery



# Cash flow

<b>\$ in millions</b>	<b>YTD21</b>	<b>B/(W) vs. YTD20</b>
<b>Operating cash flow</b>	<b>\$4,310</b>	<b>\$912</b>
<b>Cash capital expenditure</b>	<b>\$1,001</b>	<b>(\$39)</b>
<b>Free cash flow</b>	<b>\$3,309</b>	<b>\$873</b>

- **Strong free cash flow generation up +36% vs. prior year**
  - **Reflects strong operating profit performance and continued focus on working capital, led by payment terms and U.S. pharmacy inventory**
  - **YTD21 cash flow includes some favorable phasing and one-time items**



# Fiscal year 2021 guidance

- Completed the divestiture of Alliance Healthcare
- Maintaining TCMP goal of delivering in excess of \$2bn in annual cost savings by FY22
- 3Q especially strong
  - Year-ago quarter exceptionally weak due to the peak of pandemic and “stay-at-home” restrictions
  - Retail recovery through improved footfall in the U.S. and less severe COVID-19 restrictions in UK
  - Peak quarter for COVID-19 vaccine; 17 million vaccines completed
- 4Q continuing adj. EPS YoY growth rate expected to slow sequentially
  - 4Q20 COVID-19 impact less severe than 3Q20
  - Lower level of COVID-19 vaccinations in 4Q21 compared to 3Q21
  - Significant investments as we accelerate digital & healthcare plans



# Fiscal year 2021 guidance

**Constant currency continuing operations adj. EPS growth: ~10%**

- **Raising guidance from mid-to-high single digit to ~10% adj. EPS growth**
- **Key swing factors:**
  - **Vaccinations: now expecting 28 million driven by strong execution**
  - **COVID-19 recovery and lapping prior year PPE**
  - **Increase in investments**





# Strategic Initiatives



# U.S. Pharmacy initiatives

- **Redefining operations with iA Rx automation**
  - Automated micro-fulfillment centers operating in Phoenix & Dallas will soon ramp to serve ~1,000 locations
  - Best in class efficiency while unlocking the pharmacist time
  - Next nine markets identified for deployment by end of CY22
- **Accelerating Village Medical at Walgreens rollout, enhancing pharmacy role in coordinated care models**
  - Completed prior announced 46 locations, next 35 locations to be completed by end of CY21, bringing total co-locations to >80
  - Formed integrated virtual collaboration in 9 Phoenix & Houston Walgreens locations to provide patients coordinated care offerings without VMD onsite
- **Providing further convenience for testing & diagnostics**



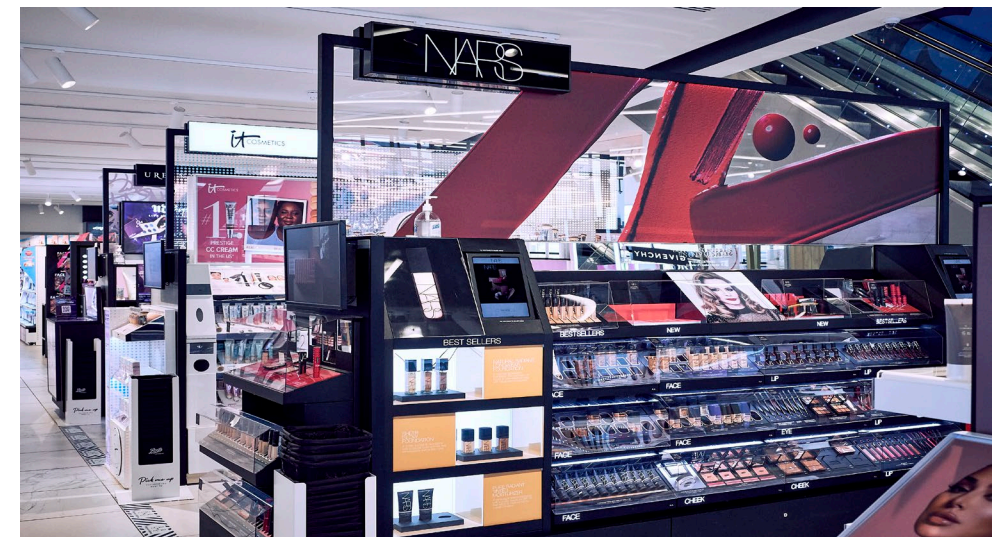
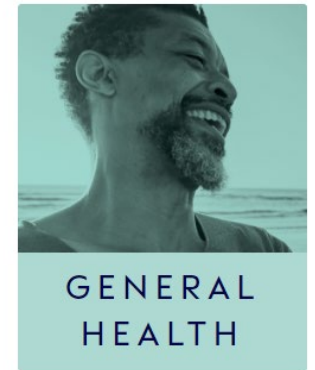
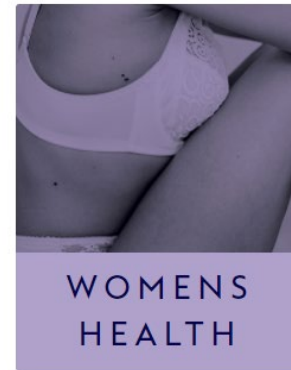
# U.S. Retail initiatives

- **Customer Engagement Platform learnings enhancing personalized offerings**
  - myWalgreens membership +34% vs. prior quarter to ~75m members to date
  - Mass personalization boosted 3Q retail sales comps by ~100bps
- **Omni-channel offerings resonating & building momentum**
  - Curbside & drive thru pick-up contributing to strong digital growth  
~6m orders completed to date
  - Expanded national last mile delivery capabilities
- **Alternative profit streams materializing**
  - Walgreens Advertising Group expanded 3<sup>rd</sup> party CPG offerings
  - Financial services Debit & Credit Card offerings launch in early fall
- **National deployment of Retail SAP S/4HANA completed**
  - Unlocks omni-channel retail, operating efficiencies, and working capital



# International initiatives

- **Launching innovative digital healthcare services**
  - Boots Health Hub providing a marketplace for Boots and third-party online healthcare services
  - Boots ONLINE DOCTOR launched; delivering a market leading proposition for >40 conditions with more to come
- **Strong market share gains particularly in Beauty**
  - >500 Beauty brands now available with 34 new brands launched this fiscal year
  - Boots major marketing campaign underway, capitalizing on easing UK restrictions
- **Playing a key role in supporting UK COVID-19 response**
  - >3m tests since pandemic onset, majority in partnership with NHS; >200 stores offering private testing
  - Operating 51 vaccination centers
- **GuoDa pharmacy store expansion continues to ~8,300 stores, +2,500 locations vs. prior year**





**Continued progress on strategic priorities**

**Accelerate digitalization of company**

**Transform and restructure retail offering**

**Create neighborhood health destinations**

**Transformational Cost Management Program**



# 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 – 3Q21: gross profit \$6,093; selling general and administrative expenses \$4,971; SG&A as a percent of sales 17.3%; operating income \$1,219; and operating margin 3.9%. YTD21: gross profit \$17,434; selling general and administrative expenses \$14,695; SG&A as a percent of sales 17.7%; operating income \$1,543; and operating margin 3.3% excluding equity earnings in AmerisourceBergen.
  - International segment GAAP results on a reported currency basis, dollars in millions – 3Q21: gross profit \$1,060; selling general and administrative expenses \$1,025; SG&A as a percent of sales 19.4%; operating income \$36; and operating margin 0.7%. In 3Q21 compared to prior year quarter, on a reported currency basis, the segment's sales increased 75.8%; operating income recovered \$2.2 billion; and operating margin increased to 0.7% from a loss of 71.5%. YTD21: gross profit \$3,130; selling general and administrative expenses \$2,949; SG&A as a percent of sales 19.7%; operating income \$181; and operating margin 1.2%. In YTD21 compared to prior year period, on a reported currency basis, the segment's sales increased 37.9%; operating income recovered \$2.1 billion; and operating margin increased to 1.2% from a loss of 18.0%.
  - 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.
- Net earnings, net earnings per common share – diluted figures are 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 immunizations) are reported on a 30-day equivalent basis.
- Prescription market share information is an estimate derived from the use of information under license from the following IQVIA information service: IQVIA Prescription Services as of May 31, 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.
- United States retail refill scripts initiated via digital channel is inclusive of prescriptions filled at Walgreens and Duane Reade.
- Boots UK market share insights, where quoted, as of May 15, 2021.
- Working capital includes changes in the following operating assets and liabilities: accounts receivable net; inventories; other current assets; trade accounts payable; and accrued expenses and other liabilities.
- Digitally initiated sales include online orders and mobile application purchases of retail products, photo and digital scripts, including Save a Trip refills.
- Store gross margin is defined as sales less the direct product costs (including an allocation for variable supply chain costs and promotional scanning allowances) divided by sales.



# Appendix

*The information on the following pages provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation 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 on slide 28 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 2021 guidance) where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the company’s control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.*

*The company considers certain metrics, including all comparable metrics, number of prescriptions, number of 30-day equivalent prescriptions and number of locations at period end, to be key performance indicators because the company's management has evaluated its results of operations using these metrics and believes that these key performance indicators presented provide additional perspective and insights when analyzing the core operating performance of the company from period to period and trends in its historical operating results. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein. These measures may not be comparable to similarly-titled performance indicators used by other companies.*

*Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and nine months ended May 31, 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 May 31,		Change vs. 3Q20		Nine months ended May 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
<b>Net Earnings (loss) From Continuing Operations (GAAP)</b>	\$ 1,105	\$ (1,794)	\$ 2,898	NM	\$ 1,636	\$ (157)	\$ 1,793	NM
<b>Adjustments to Operating income (loss):</b>								
Adjustments to equity earnings (loss) in AmerisourceBergen <sup>1</sup>	48	(105)			1,575	47		
Acquisition-related amortization <sup>2</sup>	158	94			367	290		
Transformational cost management <sup>3</sup>	60	310			338	508		
Certain legal and regulatory accruals and settlements <sup>4</sup>	—	—			60	—		
LIFO provision <sup>5</sup>	51	29			85	90		
Acquisition-related costs <sup>6</sup>	9	68			25	291		
Impairment of goodwill and intangible assets <sup>12</sup>	—	2,001			—	2,001		
Store optimization <sup>3</sup>	—	10			—	49		
Store damage and inventory losses <sup>13</sup>	—	75			—	75		
<b>Total adjustments to operating income</b>	<b>325</b>	<b>2,481</b>			<b>2,449</b>	<b>3,350</b>		
<b>Adjustments to Other income (expense):</b>								
Net investment hedging (gain) loss <sup>7</sup>	5	(2)			6	(6)		
Impairment of equity method investment	—	71			—	71		
Gain on sale of equity method investment <sup>8</sup>	(98)	—			(290)	(1)		
<b>Total adjustments to other income (expense)</b>	<b>(94)</b>	<b>69</b>			<b>(284)</b>	<b>64</b>		
<b>Adjustments to interest expense, net:</b>								
Early debt extinguishment <sup>11</sup>	419	—			419	—		
<b>Total adjustments to interest expense, net</b>	<b>419</b>	<b>—</b>			<b>419</b>	<b>—</b>		

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



Walgreens Boots Alliance

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# Reconciliation of Non-GAAP financial measures

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

## NET EARNINGS

	Three months ended May 31,		Change vs. 3Q20		Nine months ended May 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
<b>Adjustments to income tax provision (benefit):</b>								
U.S. tax law changes <sup>9</sup>	—	—			—	(6)		
Tax impact of adjustments <sup>9</sup>	10	(180)			(104)	(350)		
Equity method non-cash tax <sup>9</sup>	17	53			(309)	52		
Total adjustments to income tax provision (benefit)	27	(127)			(412)	(303)		
<b>Adjustments to post tax equity earnings from other equity method investments:</b>								
Adjustments to equity earnings in other equity method investments <sup>10</sup>	(557)	3			(520)	47		
Total adjustments to post tax equity earnings from other equity method investments	(557)	3			(520)	47		
<b>Adjustments to net (loss) attributable to noncontrolling interests:</b>								
Transformational cost management <sup>3</sup>	—	—			2	—		
Impairment of goodwill and intangible assets <sup>12</sup>	—	(14)			—	(14)		
LIFO provision <sup>5</sup>	(1)	—			(7)	—		
Acquisition-related amortization <sup>2</sup>	(30)	—			(46)	—		
Total adjustments to net (loss) attributable to noncontrolling interests	(30)	(14)			(50)	(14)		
<b>Adjusted net earnings attributable to Continuing Operations (Non-GAAP measure)</b>	<b>\$ 1,194</b>	<b>\$ 618</b>	<b>\$ 576</b>	<b>93.1 %</b>	<b>\$ 3,237</b>	<b>\$ 2,985</b>	<b>\$ 251</b>	<b>8.4 %</b>



# Reconciliation of Non-GAAP financial measures

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

## NET EARNINGS

	Three months ended May 31,		Change vs. 3Q20		Nine months ended May 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
<b>Net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations (GAAP)</b>	\$ 92	\$ 86	\$ 7	7.8 %	\$ 279	\$ 241	\$ 39	16.2 %
Acquisition-related amortization <sup>2</sup>	—	19			28	57		
Acquisition-related costs <sup>6</sup>	39	—			49	—		
Transformational cost management <sup>3</sup>	(8)	4			1	15		
Tax impact of adjustments <sup>9</sup>	(5)	(4)			(15)	(11)		
<b>Total adjustments to net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations</b>	\$ 26	\$ 19			\$ 62	\$ 61		
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. – discontinued operations (Non-GAAP measure)</b>	\$ 119	\$ 105	\$ 14	13.0 %	\$ 342	\$ 303	\$ 39	13.0 %
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. - (Non-GAAP measure)</b>	\$ 1,313	\$ 723	\$ 589	81.5 %	\$ 3,579	\$ 3,288	\$ 291	8.8 %



# Reconciliation of Non-GAAP financial measures

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

## DILUTED NET EARNINGS (LOSS) PER SHARE

	Three months ended May 31,		Change vs. 3Q20		Nine months ended May 31,		Change vs. FY20	
	2021	2020	Amount	Percent	2021	2020	Amount	Percent
Diluted net earnings per common share - continuing operations (GAAP) <sup>14</sup>	\$ 1.27	\$ (2.05)	\$ 3.32	NM	\$ 1.89	\$ (0.18)	\$ 2.07	NM
Adjustments to operating income	0.38	2.83			2.83	3.79		
Adjustments to other income (expense)	(0.11)	0.08			(0.33)	0.07		
Adjustments to interest expense, net	0.48	—			0.48	—		
Adjustments to income tax provision (benefit)	0.03	(0.14)			(0.48)	(0.34)		
Adjustments to earnings from other equity method investments <sup>10</sup>	(0.64)	—			(0.60)	0.05		
Adjustments to net earnings (loss) attributable to noncontrolling interests	(0.03)	(0.02)			(0.06)	(0.02)		
<b>Adjusted diluted net earnings per common share - continuing operations (Non-GAAP measure)</b>	<b>\$ 1.38</b>	<b>\$ 0.71</b>	<b>\$ 0.67</b>	<b>95.1 %</b>	<b>\$ 3.74</b>	<b>\$ 3.37</b>	<b>\$ 0.36</b>	<b>10.7 %</b>
<b>Diluted net earnings per common share - discontinued operations (GAAP)</b>	<b>0.11</b>	<b>0.10</b>	<b>\$ 0.01</b>	<b>8.9 %</b>	<b>0.32</b>	<b>0.27</b>	<b>\$ 0.05</b>	<b>18.7 %</b>
Total adjustments to net earnings (loss) attributable to Walgreens Boots Alliance, Inc. – discontinued operations	0.03	0.02			0.07	0.07		
<b>Adjusted diluted net earnings per common share - discontinued operations (Non-GAAP measure)</b>	<b>0.14</b>	<b>0.12</b>	<b>\$ 0.02</b>	<b>14.1 %</b>	<b>\$ 0.39</b>	<b>\$ 0.34</b>	<b>\$ 0.05</b>	<b>15.5 %</b>
<b>Adjusted diluted net earnings per common share (Non-GAAP measure)</b>	<b>\$ 1.51</b>	<b>\$ 0.83</b>	<b>\$ 0.69</b>	<b>83.4 %</b>	<b>\$ 4.13</b>	<b>\$ 3.72</b>	<b>\$ 0.42</b>	<b>11.2 %</b>
Weighted average common shares outstanding, diluted (in millions) <sup>15</sup>	867.0	876.1			866.2	884.7		

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



Walgreens Boots Alliance

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# Reconciliation of Non-GAAP financial measures

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

- 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 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 excludes 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 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.
- 6 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.
- 7 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.
- 8 Includes significant gain on sale of equity method investment. During the three and nine months ended May 31, 2021, the Company recorded a gain of \$98 million and \$290 million respectively, 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.
- 9 Adjustments to income tax provision include adjustments to the GAAP basis tax provision commensurate with non-GAAP adjustments and certain discrete tax items including U.S. tax law changes and equity method non-cash tax. These charges are recorded within income tax provision (benefit).
- 10 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.
- 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 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.
- 13 Store damage and inventory losses as a result of looting in the U.S., net of insurance recoveries.
- 14 Due to the anti-dilutive effect resulting from the reported net loss, the impact of potentially dilutive securities on the per share amounts has been omitted from the quarterly calculation of weighted-average common shares outstanding for diluted EPS for the three and nine months ended May 31, 2020.
- 15 Includes impact of potentially dilutive securities in the quarterly calculation of weighted-average common shares, diluted for adjusted diluted net earnings per common share calculation purposes for the three and nine months ended May 31, 2020.



# Reconciliation of Non-GAAP financial measures

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

	Three months ended May 31, 2021			
	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 28,743	\$ 5,288	\$ —	\$ 34,030
<b>Gross profit (GAAP)</b>	<b>\$ 6,093</b>	<b>\$ 1,060</b>	<b>\$ —</b>	<b>\$ 7,153</b>
LIFO provision	51	—	—	51
Acquisition-related amortization	5	—	—	5
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 6,149</b>	<b>\$ 1,060</b>	<b>\$ —</b>	<b>\$ 7,208</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,971</b>	<b>\$ 1,025</b>	<b>\$ 120</b>	<b>\$ 6,116</b>
Acquisition-related costs	(3)	(5)	(1)	(9)
Transformational cost management	(12)	(34)	(14)	(60)
Acquisition-related amortization	(132)	(20)	—	(152)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,824</b>	<b>\$ 966</b>	<b>\$ 104</b>	<b>\$ 5,894</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 1,219</b>	<b>\$ 36</b>	<b>\$ (120)</b>	<b>\$ 1,134</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	48	—	—	48
Acquisition-related amortization	138	20	—	158
Transformational cost management	12	33	14	60
LIFO provision	51	—	—	51
Acquisition-related costs	3	5	1	9
<b>Adjusted operating income (loss) (Non-GAAP measure)</b>	<b>\$ 1,471</b>	<b>\$ 94</b>	<b>\$ (105)</b>	<b>\$ 1,459</b>
Gross margin (GAAP)	21.2 %	20.1 %		21.0 %
Adjusted gross margin (Non-GAAP measure)	21.4 %	20.0 %		21.2 %
Selling, general and administrative expenses percent to sales (GAAP)	17.3 %	19.4 %		18.0 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	16.8 %	18.3 %		17.3 %
Operating margin <sup>2</sup>	3.9 %	0.7 %		3.0 %
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	4.6 %	1.8 %		3.9 %

<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 nine month period ended May 31, 2021 includes AmerisourceBergen equity earnings (loss) for the period of January 1, 2021 through March 31, 2021 and the period of July 1, 2020 through March 31, 2021, respectively. Operating income (loss) for the three and nine month period ended May 31, 2020 includes AmerisourceBergen equity earnings for the period of January 1, 2020 through March 31, 2020, and the period of July 1, 2019 through March 31, 2020, respectively.

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



# Reconciliation of Non-GAAP financial measures

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

	Three months ended May 31, 2020			
	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 27,357	\$ 3,008	\$ —	\$ 30,364
<b>Gross profit (GAAP)</b>	<b>\$ 5,275</b>	<b>\$ 684</b>	<b>\$ —</b>	<b>\$ 5,959</b>
Transformational cost management	—	1	—	1
LIFO provision	29	—	—	29
Acquisition-related costs	7	—	—	7
Store damage and inventory losses	60	—	—	60
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 5,372</b>	<b>\$ 685</b>	<b>\$ —</b>	<b>\$ 6,056</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,990</b>	<b>\$ 2,835</b>	<b>\$ 60</b>	<b>\$ 7,884</b>
Acquisition-related costs	(57)	(1)	(3)	(61)
Transformational cost management	(269)	(29)	(11)	(309)
Acquisition-related amortization	(77)	(16)	—	(94)
Impairment of goodwill and intangible assets	(32)	(1,969)	—	(2,001)
Store optimization	(10)	—	—	(10)
Store damage and inventory losses	(15)	—	—	(15)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,531</b>	<b>\$ 820</b>	<b>\$ 46</b>	<b>\$ 5,396</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 528</b>	<b>\$ (2,151)</b>	<b>\$ (60)</b>	<b>\$ (1,683)</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	(105)	—	—	(105)
Acquisition-related amortization	77	16	—	94
Transformational cost management	269	30	11	310
LIFO provision	29	—	—	29
Acquisition-related costs	64	1	3	68
Impairment of goodwill and intangible assets	32	1,969	—	2,001
Store optimization	10	—	—	10
Store damage and inventory losses	75	—	—	75
<b>Adjusted operating income (loss) (Non-GAAP measure)</b>	<b>\$ 979</b>	<b>\$ (135)</b>	<b>\$ (46)</b>	<b>\$ 798</b>
Gross margin (GAAP)	19.3 %	22.7 %		19.6 %
Adjusted gross margin (Non-GAAP measure)	19.6 %	22.8 %		19.9 %
Selling, general and administrative expenses percent to sales (GAAP)	18.2 %	94.3 %		26.0 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	16.6 %	27.2 %		17.8 %
Operating margin <sup>2</sup>	1.0 %	(71.5)%		(6.3)%
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	3.1 %	(4.5)%		2.2 %

<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 nine month period ended May 31, 2021 includes AmerisourceBergen equity earnings (loss) for the period of January 1, 2021 through March 31, 2021 and the period of July 1, 2020 through March 31, 2021, respectively. Operating income (loss) for the three and nine month period ended May 31, 2020 includes AmerisourceBergen equity earnings for the period of January 1, 2020 through March 31, 2020, and the period of July 1, 2019 through March 31, 2020, respectively.

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



# Reconciliation of Non-GAAP financial measures

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

Nine months ended May 31, 2021

	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 83,250	\$ 14,998	\$ —	\$ 98,247
<b>Gross profit (GAAP)</b>	<b>\$ 17,434</b>	<b>\$ 3,130</b>	<b>\$ —</b>	<b>\$ 20,564</b>
Transformational cost management	—	(1)	—	(1)
LIFO provision	85	—	—	85
Acquisition-related amortization	5	—	—	5
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 17,525</b>	<b>\$ 3,129</b>	<b>\$ —</b>	<b>\$ 20,654</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 14,695</b>	<b>\$ 2,949</b>	<b>\$ 292</b>	<b>\$ 17,936</b>
Acquisition-related costs	(2)	(8)	(14)	(25)
Certain legal and regulatory accruals and settlements	(60)	—	—	(60)
Transformational cost management	(213)	(81)	(44)	(338)
Acquisition-related amortization	(305)	(56)	—	(361)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 14,115</b>	<b>\$ 2,803</b>	<b>\$ 234</b>	<b>\$ 17,151</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 1,543</b>	<b>\$ 181</b>	<b>\$ (292)</b>	<b>\$ 1,432</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	1,575	—	—	1,575
Acquisition-related amortization	311	56	—	367
Transformational cost management	213	80	44	338
LIFO provision	85	—	—	85
Certain legal and regulatory accruals and settlements	60	—	—	60
Acquisition-related costs	2	8	14	25
<b>Adjusted operating income (loss) (Non-GAAP measure)</b>	<b>\$ 3,789</b>	<b>\$ 326</b>	<b>\$ (233)</b>	<b>\$ 3,881</b>
Gross margin (GAAP)	20.9 %	20.9 %		20.9 %
Adjusted gross margin (Non-GAAP measure)	21.1 %	20.9 %		21.0 %
Selling, general and administrative expenses percent to sales (GAAP)	17.7 %	19.7 %		18.3 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.0 %	18.7 %		17.5 %
Operating margin <sup>2</sup>	3.3 %	1.2 %		2.7 %
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	4.1 %	2.2 %		3.6 %

<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 nine month period ended May 31, 2021 includes AmerisourceBergen equity earnings (loss) for the period of January 1, 2021 through March 31, 2021 and the period of July 1, 2020 through March 31, 2021, respectively. Operating income (loss) for the three and nine month period ended May 31, 2020 includes AmerisourceBergen equity earnings for the period of January 1, 2020 through March 31, 2020, and the period of July 1, 2019 through March 31, 2020, respectively.

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



# Reconciliation of Non-GAAP financial measures

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

	Nine months ended May 31, 2020			
	United States <sup>1</sup>	International	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 80,734	\$ 10,878	\$ —	\$ 91,612
<b>Gross profit (GAAP)</b>	<b>\$ 16,816</b>	<b>\$ 2,936</b>	<b>\$ 2</b>	<b>\$ 19,753</b>
Transformational cost management	4	3	—	7
LIFO provision	90	—	—	90
Acquisition-related costs	67	—	—	67
Store damage and inventory losses	60	—	—	60
Store optimization	1	—	—	1
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 17,038</b>	<b>\$ 2,939</b>	<b>\$ 2</b>	<b>\$ 19,978</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 14,595</b>	<b>\$ 4,895</b>	<b>\$ 172</b>	<b>\$ 19,663</b>
Transformational cost management	(387)	(83)	(31)	(501)
Acquisition-related amortization	(233)	(58)	—	(290)
Acquisition-related costs	(217)	(2)	(5)	(224)
Store damage and inventory losses	(15)	—	—	(15)
Store optimization	(47)	—	—	(47)
Impairment of goodwill and intangible assets	(32)	(1,969)	—	(2,001)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 13,665</b>	<b>\$ 2,783</b>	<b>\$ 137</b>	<b>\$ 16,585</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 2,505</b>	<b>\$ (1,960)</b>	<b>\$ (171)</b>	<b>\$ 374</b>
Transformational cost management	390	86	31	508
Acquisition-related amortization	233	58	—	290
LIFO provision	90	—	—	90
Acquisition-related costs	284	2	5	291
Store optimization	49	—	—	49
Adjustments to equity earnings (loss) in AmerisourceBergen	47	—	—	47
Store damage and inventory losses	75	—	—	75
Impairment of goodwill and intangible assets	32	1,969	—	2,001
<b>Adjusted operating income (loss) (Non-GAAP measure)</b>	<b>\$ 3,704</b>	<b>\$ 155</b>	<b>\$ (135)</b>	<b>\$ 3,724</b>
Gross margin (GAAP)	20.8 %	27.0 %		21.6 %
Adjusted gross margin (Non-GAAP measure)	21.1 %	27.0 %		21.8 %
Selling, general and administrative expenses percent to sales (GAAP)	18.1 %	45.0 %		21.5 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	16.9 %	25.6 %		18.1 %
Operating margin <sup>2</sup>	2.8 %	(18.0)%		0.1 %
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	4.2 %	1.4 %		3.7 %

<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 nine month period ended May 31, 2021 includes AmerisourceBergen equity earnings (loss) for the period of January 1, 2021 through March 31, 2021 and the period of July 1, 2020 through March 31, 2021, respectively. Operating income (loss) for the three and nine month period ended May 31, 2020 includes AmerisourceBergen equity earnings for the period of January 1, 2020 through March 31, 2020, and the period of July 1, 2019 through March 31, 2020, respectively.

<sup>2</sup> Operating margins and adjusted operating margins have been calculated excluding equity earnings (loss) in AmerisourceBergen and adjusted equity earnings (loss) in AmerisourceBergen, respectively.





# Reconciliation of Non-GAAP financial measures

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

## EQUITY EARNINGS (LOSS) IN AMERISOURCEBERGEN

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	2021	2020
<b>Equity earnings in AmerisourceBergen (GAAP)</b>	\$ 97	\$ 243	\$ (1,196)	\$ 284
Litigation settlements and other	17	14	1,581	58
Acquisition-related amortization	30	29	89	90
Certain discrete tax benefits	—	(206)	—	(206)
New York State Opioid Stewardship Act	—	—	3	—
Asset Impairment	—	46	3	76
PharMEDium remediation costs	—	7	—	13
Other	—	(1)	—	(1)
Anti-Trust	—	—	—	(2)
LIFO provision	(4)	5	(18)	19
Tax reform	7	—	(83)	—
<b>Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 145</b>	<b>\$ 138</b>	<b>\$ 379</b>	<b>\$ 331</b>



# Reconciliation of Non-GAAP financial measures

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

## ADJUSTED EFFECTIVE TAX RATE

	Three months ended May 31, 2021			Three months ended May 31, 2020		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 749	\$ 246	32.9%	\$ (1,862)	\$ (43)	2.3%
Impact of non-GAAP adjustments	650	(8)		2,549	191	
Equity method non-cash tax	—	(17)		—	(53)	
Adjusted tax rate true-up	—	(1)		—	(11)	
Subtotal	\$ 1,399	\$ 219		\$ 687	\$ 83	
Exclude adjusted equity earnings in AmerisourceBergen	(145)	—		(138)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 1,253</b>	<b>\$ 219</b>	<b>17.5%</b>	<b>\$ 550</b>	<b>\$ 83</b>	<b>15.1%</b>

	Nine months ended May 31, 2021			Nine months ended May 31, 2020		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 1,088	\$ 81	7.5%	\$ (56)	\$ 129	(230.0)%
Impact of non-GAAP adjustments	2,584	78		3,414	354	
Equity method non-cash tax	—	309		—	(52)	
Adjusted tax rate true-up	—	26		—	(5)	
U.S. tax law changes	—	—		—	6	
Subtotal	\$ 3,672	\$ 494		\$ 3,358	\$ 432	
Exclude adjusted equity earnings in AmerisourceBergen	(379)	—		(331)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 3,293</b>	<b>\$ 494</b>	<b>15.0%</b>	<b>\$ 3,027</b>	<b>\$ 432</b>	<b>14.3%</b>



# Reconciliation of Non-GAAP financial measures

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

## FREE CASH FLOW

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	2021	2020
Net cash provided by operating activities (GAAP) <sup>1</sup>	\$ 1,754	\$ 914	\$ 4,310	\$ 3,398
Less: Additions to property, plant and equipment - as reported	(309)	(257)	(1,001)	(962)
<b>Free cash flow - (Non-GAAP measure) <sup>1</sup></b>	<b>\$ 1,445</b>	<b>\$ 657</b>	<b>\$ 3,309</b>	<b>\$ 2,436</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.

