

2020 Annual Meeting of Stockholders – Non-GAAP Financial Measures and Related Information

The following information provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). The company has provided the non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These supplemental non-GAAP financial measures are presented because management has evaluated the company's financial results both including and excluding the adjusted items or the effects of foreign currency translation, as applicable, and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the company's business from period to period and trends in the company's historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented in the presentation.

Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts for the twelve months ended August 31, 2019.

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 2019" refer to our fiscal year ended August 31, 2019.



Reconciliation of Non-GAAP financial measures

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

NET EARNINGS

	Twelve months ended August 31,		Change vs. FY18	
	2019	2018	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 3,982	\$ 5,024	\$ (1,042)	(20.7)%
Adjustments to operating income:				
Acquisition-related amortization and impairment ¹	567	448		
Transformational cost management	477	—		
Acquisition-related costs	303	231		
Adjustments to equity earnings in AmerisourceBergen	233	175		
Store optimization	196	100		
LIFO provision	136	84		
Certain legal and regulatory accruals and settlements ²	31	284		
Asset recovery	—	(15)		
Hurricane-related costs	—	83		
Total adjustments to operating income	1,944	1,390		
Adjustments to other income (expense):				
Net investment hedging loss (gain)	18	(21)		
Gain on sale of equity method investment	—	(322)		
Impairment of equity method investment	—	178		
Termination of option granted to Rite Aid	(173)	—		
Total adjustments to other income (expense)	(155)	(165)		
Adjustments to interest expense, net:				
Prefunded acquisition financing costs	—	29		
Total adjustments to interest expense, net	—	29		
Adjustments to income tax provision:				
Equity method non-cash tax	18	25		
U.S. tax law changes ³	(8)	(125)		
Tax impact of adjustments ⁴	(291)	(193)		
Total adjustments to income tax provision	(281)	(293)		
Adjustments to post tax equity earnings from other equity method investments:				
Adjustments to equity earnings in other equity method investments ⁵	40	—		
Total adjustments to post tax equity earnings from other equity method investments	40	—		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 5,529	\$ 5,985	\$ (456)	(7.6)%



Reconciliation of Non-GAAP financial measures

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

DILUTED NET EARNINGS PER SHARE

	Twelve months ended August 31,		Change vs. FY18	
	2019	2018	Amount	Percent
Diluted net earnings per common share (GAAP)	\$ 4.31	\$ 5.05	\$ (0.74)	(14.6)%
Adjustments to operating income	2.10	1.40		
Adjustments to other income (expense)	(0.17)	(0.17)		
Adjustments to interest expense, net	—	0.03		
Adjustments to income tax provision	(0.30)	(0.29)		
Adjustments to equity earnings in other equity method investments ⁵	0.04	—		
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 5.99	\$ 6.02	\$ (0.03)	(0.5)%
Weighted average common shares outstanding, diluted (in millions)	923.5	995.0		

¹ Includes impairment of \$73 million for indefinite-lived pharmacy licenses intangible asset recorded during the three months ended August 31, 2019, in the Boots reporting unit within the Retail Pharmacy International segment.

² Beginning in the quarter ended August 31, 2018, management reviewed and refined its practice to include all charges related to the matters included in Certain legal and regulatory accruals and settlements. In order to present non-GAAP measures on a consistent basis for fiscal year 2019, the Company included adjustments in the quarter ended August 31, 2018 of \$14 million, \$50 million and \$5 million which were previously accrued in the Company's financial statements for the quarters ended November 30, 2017, February 28, 2018, and May 31, 2018, respectively. These additional adjustments impact the comparability of such results to the results reported in prior and future quarters.

³ Discrete tax-only items.

⁴ Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments and the adjusted tax rate true-up.

⁵ Beginning in the quarter ended May 31, 2019, management reviewed and refined its practice to reflect the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the Company's non-GAAP measures in order to provide investors with a comparable view of performance across periods. These adjustments include acquisition-related amortization and acquisition-related costs and were immaterial for the prior periods presented. Although the Company may have shareholder rights and board representation commensurate with its ownership interests in these equity method investees, adjustments relating to equity method investments are not intended to imply that the Company has direct control over their operations and resulting revenue and expenses. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all revenue and expenses of these equity method investees.



Reconciliation of Non-GAAP financial measures

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

	Twelve months ended August 31, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 104,532	\$ 11,462	\$ 23,053	\$ (2,180)	\$ 136,866
Gross profit (GAAP)	\$ 23,511	\$ 4,522	\$ 2,041	\$ 2	\$ 30,076
Transformational cost management	—	45	—	—	45
Acquisition-related costs	63	—	—	—	63
Store optimization	8	—	—	—	8
LIFO provision	136	—	—	—	136
Adjusted gross profit (Non-GAAP measure)	\$ 23,718	\$ 4,567	\$ 2,041	\$ 2	\$ 30,328
Selling, general and administrative expenses (GAAP)	\$ 19,424	\$ 4,084	\$ 1,734	\$ —	\$ 25,242
Acquisition-related amortization and impairment ²	(315)	(173)	(78)	—	(567)
Transformational cost management	(189)	(89)	(155)	—	(432)
Acquisition-related costs	(237)	(3)	(1)	—	(241)
Store optimization	(189)	—	—	—	(189)
Certain legal and regulatory accruals and settlements	(31)	—	—	—	(31)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 18,464	\$ 3,819	\$ 1,499	\$ —	\$ 23,783
Operating income (GAAP)	\$ 4,088	\$ 438	\$ 471	\$ 1	\$ 4,998
Acquisition-related amortization and impairment ²	315	173	78	—	567
Transformational cost management	189	133	155	—	477
Acquisition-related costs	300	3	1	—	303
Adjustments to equity earnings in AmerisourceBergen	—	—	233	—	233
Store optimization	196	—	—	—	196
LIFO provision	136	—	—	—	136
Certain legal and regulatory accruals and settlements	31	—	—	—	31
Adjusted operating income (Non-GAAP measure)	\$ 5,255	\$ 747	\$ 939	\$ 1	\$ 6,942
Gross margin (GAAP)	22.5%	39.5%	8.9%		22.0%
Adjusted gross margin (Non-GAAP measure)	22.7%	39.8%	8.9%		22.2%
Selling, general and administrative expenses percent to sales (GAAP)	18.6%	35.6%	7.5%		18.4%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.7%	33.3%	6.5%		17.4%
Operating margin (GAAP) ³	3.9%	3.8%	1.3%		3.5%
Adjusted operating margin (Non-GAAP measure) ³	5.0%	6.5%	2.4%		4.8%

¹ Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the twelve month periods ended August 31, 2019 includes AmerisourceBergen equity earnings for the periods July 1, 2018 through June 30, 2019, respectively.

² Includes impairment of \$73 million for indefinite-lived pharmacy licenses intangible asset recorded during the three months ended August 31, 2019, in the Boots reporting unit within Retail Pharmacy International segment.

³ Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen within the Pharmaceutical Wholesale segment.

