

The Henry Fund

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McKesson (MCK)

November 18, 2024

Healthcare – Medical Distribution

Stock Rating

Hold

Investment Thesis

We recommend a hold rating on MCK with a price target of \$685, representing potential upside of 11%. We believe that MCK stands to benefit from numerous long-term tailwinds which will deliver stable fundamentals going forward. MCK has a history of returning capital to shareholders (\$14 billion in repurchases and dividends since FY20), which we expect to continue.

Investment Positives

- **Fundamentals:** MCK will benefit from increasing biosimilar tailwinds and GLP-1 therapy demand, along with a stronger focus on technological solutions in healthcare. The shift in product mix will deliver more stable margins going forward, while delivering a 5-year revenue CAGR of 9.2%.
- **Fundamentals:** MCK stands to benefit from a positive long-term fundamental outlook as the U.S. population continues to age and prescription drug utilization increases. Near-term headwinds aside, MCK should be a continued leader in terms of scale and volumes with a more stable distribution industry.
- **Expectations:** Management continues to discuss a modest, growing dividend – yet the Street is modeling a declining dividend Y/Y. In FY25, we expect a DPS of \$2.75 vs. \$2.56 (7% > Street). MCK is well positioned to return capital to shareholders outside of its stated repurchases program.

Risks to Thesis

- **Execution Risk:** We worry of execution risk as management hints at future M&A to achieve earnings accretion. Since FY20, MCK has deployed \$1.3 billion on M&A. Street expectations are set; failure to deliver will likely punish the stock.
- **Regulatory Risk:** The pharmaceutical distribution industry could face increased regulatory focus in the future. Any material discussion on pricing may cause us to lower our estimates and our recommendation.

Earnings Estimates

Quarter / Year	2025e	2026e	2027e	2028e	2029e
HF EPS	\$27.00	\$36.11	\$40.47	\$47.07	\$51.37
Street EPS	\$24.74	\$35.40	\$39.87	\$45.24	\$52.10

BS / CF Snapshot

Debt	5,641	5,619	5,657	5,677	5,676
Debt/Equity	NM	NM	77%	50%	37%
FCF	(47)	3,770	4,388	4,961	5,240
FCF Conversion	NM	60%	67%	69%	71%

Profitability

EBITDA	5,162	6,206	6,537	7,159	7,384
Street EBITDA	5,775	6,100	6,627	-	-
NOPLAT	4,030	4,991	5,345	5,890	6,114
ROE	NM	NM	96%	59%	41%
Invested Capital	3,834	5,055	6,011	6,939	7,814

Target Price

\$685

Henry Fund DCF	\$673
Henry Fund DDM	\$722
Relative Multiple	\$535

Price Data

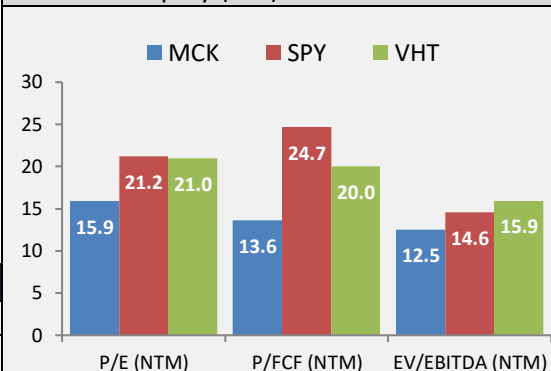
Current Price	\$616
52wk Range	\$431 – 638
Consensus 1yr Target	\$595

Key Statistics

Market Cap (B)	\$66
Diluted Shares Out. (M)	131
Institutional Ownership	87.3%
Beta	0.7
Dividend Yield	0.6%
LT Growth Rate	12.9%
Price/Earnings (TTM)	22.7
Price/Earnings (FY1)	16.3
Price/Sales (TTM)	0.2
Price/Book (mars)	5.0

Profitability

Operating Margin (FY1)	3.8%
Profit Margin (FY1)	1.1%
Return on Assets (FY1)	5.2%
Return on Equity (FY1)	NM



Company Description

McKesson Corp. (MCK) is one of the largest global healthcare companies, founded in 1833 and headquartered in Irving, Texas. MCK is primarily engaged in distributing pharmaceuticals and providing healthcare services and technology solutions across the healthcare spectrum. MCK plays a crucial role in the distribution of prescription drugs to retail pharmacies and healthcare providers.

COMPANY DESCRIPTION

McKesson Corp. (MCK) is one of the largest global healthcare companies, founded in 1833 and headquartered in Irving, Texas. MCK is primarily engaged in distributing pharmaceuticals and providing healthcare services and technology solutions across the healthcare spectrum¹. MCK plays a crucial role in the distribution of prescription drugs to retail pharmacies and healthcare providers. It is a leading force in pharmaceutical supply chain management, known for its logistical expertise and wide-reaching network¹. MCK also provides data-driven insights and patient care solutions, enhancing both clinical and financial outcomes for healthcare systems¹.

MCK vs. SPX & VHT

The chart below displays MCK's 1-year performance relative to SPX and VHT. SPX is our benchmark, and VHT is a broad healthcare index fund created/managed by Vanguard.



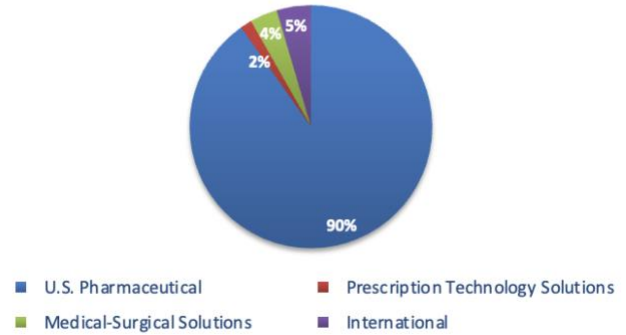
Source: Data from YahooFinance², Pulled via Jupyter Notebook

We can see that MCK has closely followed SPX and VHT for most of the year. MCK began cutting guidance in July 2024, which corresponds to the negative price action shown above. In early November, they raised guidance on strong demand for U.S. Pharmaceuticals.

Business Segments

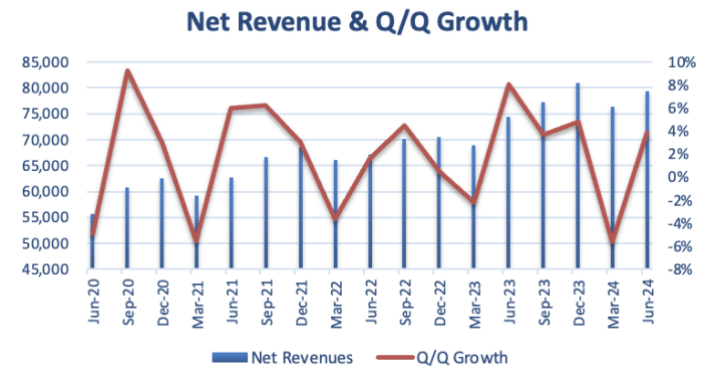
MCK operates through four key segments: U.S. Pharmaceutical (90% of revenues), Prescription Technology Solutions (2%), Medical-Surgical Solutions (3%), and International (5%)¹. MCK's international exposure is limited to Canada and Norway. FY24 revenues totaled \$308 billion, up 12% YoY, while Q1 FY25 revenues totaled \$79 billion, up 4% QoQ.

MCK Revenue Decomposition (FY24)



Source: MCK 10K

Below we display MCK's net revenue from Q1 FY21 to Q1 FY25 along with the percentage change Q/Q. We note that MCK's revenues are prone to seasonality, with growth usually peaking around Q1 and Q2. In our view, this is likely driven by increased utilization as deductibles reset at the beginning of the year, leading to higher demand for healthcare services and products.



Source: MCK 10K

U.S. Pharmaceuticals

The U.S. Pharmaceutical segment provides distribution and logistics services for branded, generic, specialty, biosimilar, and OTC pharmaceutical drugs to pharmacies, hospitals, pharmaceutical manufacturers, physicians, and patients throughout the U.S. The segment operates out of 27 distribution centers, including two redistribution centers. MCK's four distribution channels along with the solutions they provide are listed below:

- **Retail National Accounts:** Central FillSM, McKesson SynerGx, ExpressRx TrackTM
- **Community Pharmacies and Health:** Health Mart, McKesson Reimbursement Advantage

- **Institutional Healthcare Providers:** RxO Advisory Services, Outpatient and Specialty Pharmacy
- **Oncology, Biopharma, and Other Specialty Partners:** Ontada

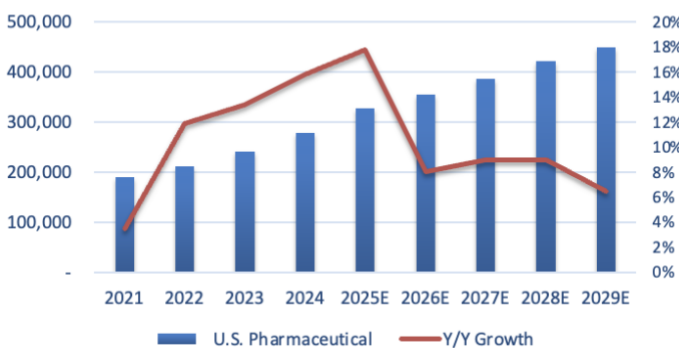
U.S. Pharmaceutical Revenue & Q/Q Growth



Source: MCK 10K

We expect the U.S. Pharmaceutical segment to deliver strong organic growth throughout our forecast. Our expectation is that utilization remains elevated given the increasing number of individuals joining the 65+ population in the United States and a noticeable uptick in healthcare policy geared towards affordability. Additionally, we expect specialty treatments such as oncology to continue to be strong tailwinds going forward. By fiscal year 2029, we expect U.S. Pharmaceutical revenues to hit roughly \$449 billion, up \$170 billion from fiscal year 2024 actual, representing a 5-year CAGR of 10.0%.

U.S. Pharmaceutical Revenue Forecast



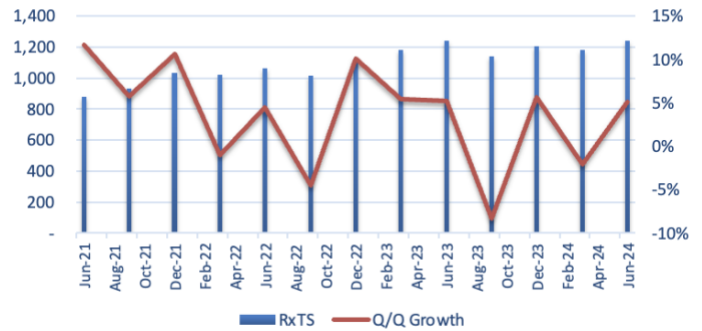
Source: MCK 10K, Henry Fund Model

Prescription Technology Solutions (RxTS)

The RxTS segment operates across the healthcare spectrum to connect patients, pharmacies, providers, pharmacy benefit managers (PBM), health plans, and biopharma companies¹. RxTS delivers medication access solutions that support patients from their first prescription

fill through ongoing therapy, regardless of insurance coverage¹. The segment is deeply connected in the healthcare sector, having connections with most electronic health record systems including 50,000+ pharmacies, approximately 950,000 providers, and most pharmacy benefit managers¹.

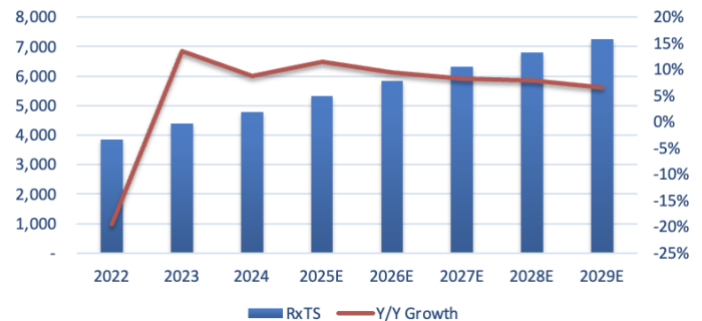
RxTS Revenue & Q/Q Growth



Source: MCK 10K

Our forecasts for RxTS reflect the crucial fact that healthcare is extremely complicated for every party involved, and companies providing key solutions will benefit going forward. The vast network of pharmacies, providers, and pharmacy benefits managers that MCK has connections with will provide strong tailwinds going forward as more individuals become connected to healthcare in one way or another. By fiscal year 2029, we expect RxTS revenues to hit roughly \$7.2 billion, up \$2.5 billion from fiscal year 2024 actual, representing a 5-year CAGR of 8.7%.

RxTS Revenue Forecast



Source: MCK 10K, Henry Fund Model

Medical-Surgical Solutions:

The Medical-Surgical Solutions segment delivers medical supply distribution, logistics, biomedical maintenance, and other services to healthcare providers across the alternate-site spectrum¹. The segment serves over 285,000 physician offices, surgery centers, post-acute care

facilities, hospital reference labs, and home health agencies¹. It distributes a wide array of supplies – such as gloves, needles, syringes, and wound care products – infusion pumps, laboratory equipment, and pharmaceuticals¹. Through the company’s network of distribution centers, the segment offers more than 245,000 products from national brand manufacturers and MCK’s own brand of products¹.

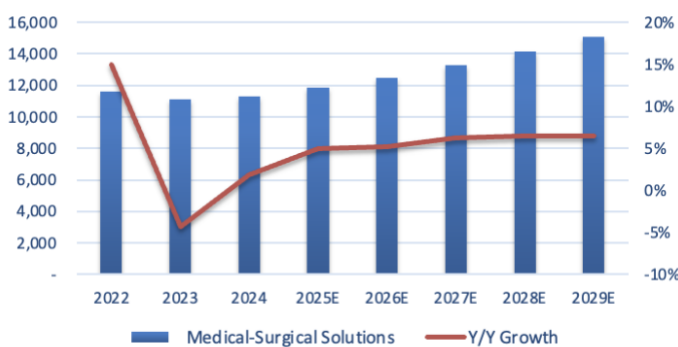
Medical-Surgical Revenue & Q/Q Growth



Source: MCK 10K

We expect growth in the Medical-Surgical segment to be driven by MCK’s expansion into non-acute care markets and the growth in home healthcare/home infusion services. As healthcare continues to shift away from the hospital setting, MCK will be well positioned to meet the needs of patients and providers. By fiscal year 2029, we expect Medical-Surgical revenues to hit roughly \$15.0 billion, up \$3.7 billion from fiscal year 2024 actual, representing a 5-year CAGR of 5.8%.

Medical-Surgical Revenue Forecast



Source: MCK 10K, Henry Fund Model

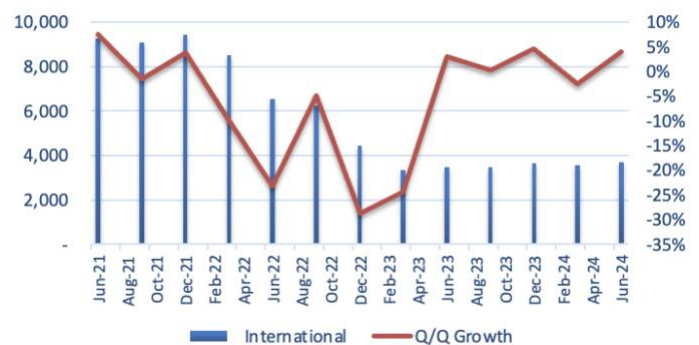
International:

The International segment provides distribution and services to wholesale, institutional, and retail customers in Canada and Europe, where MCK owns, partners, or franchises with retail pharmacies¹. MCK Canada is one of

the largest pharmaceutical wholesale and retail distributors in Canada, delivering products to retail pharmacies, hospitals, and long-term care centers¹. MCK Canada also provides automation and technology solutions to its retail and hospital customers. The Canada retail business includes 2,700 banner pharmacies and approximately 400 owned pharmacies¹.

MCK announced its intention to exit Europe in July of 2021. Most of its operations in Europe have been divested, while the remaining operations provide distribution and services to wholesale and retail partners in Norway¹. We expect MCK to exit Norway given the note that they are evaluating suitable exit alternatives.

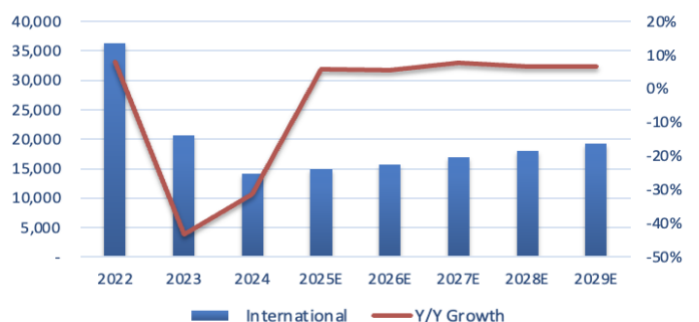
International Revenue & Q/Q Growth



Source: MCK 10K

We do not have a strong opinion on MCK’s international revenues and have decided to model our forecast close to consensus estimates. By fiscal year 2029, we expect international revenues to hit roughly \$19.3 billion, up \$5.2 billion from fiscal year 2024 actual, representing a 5-year CAGR of 6.5%.

International Revenue Forecast



Source: MCK 10K, Henry Fund Model

Cost Structure Analysis

Similarly to most distribution orientated companies, especially those dealing with pharmaceuticals, MCK

operates on extremely thin margins. Aside from COGS and SG&A, MCK occasionally incurs costs through restructuring and litigation.

MCK Historical Margins				
Year	2021	2022	2023	2024
GPM	5.1%	5.0%	4.5%	4.2%
OPM	-2.1%	0.8%	1.6%	1.3%
NPM	-1.9%	0.4%	1.3%	1.0%

Source: MCK 10K

As discussed further below, our model is extremely sensitive to COGS and SG&A and have chosen to model these costs close to consensus estimates. Our margin forecasts through 2028 are displayed below:

MCK Forecasted Margins				
Year	2025e	2026e	2027e	2028e
GPM	3.8%	3.8%	3.6%	3.7%
OPM	1.4%	1.4%	1.4%	1.3%
NPM	1.1%	1.1%	1.1%	1.0%

Source: Henry Fund Model

Although we don't necessarily see a rapid margin expansion story, we do see potential for MCK to maintain a more stable margin profile going forward as their technology products become more of the product mix.

Debt Maturity Analysis

MCK is currently in a \$3.3 billion net debt position (total debt of \$5.6 billion less cash/equivalents of \$2.3 billion), which is slightly higher than the historical average of \$2.7 billion since June 2019. We believe the slightly higher net debt position can be attributed to MCK using excess cash to repurchase shares in recent years and expect MCK to largely stay in line with historical levels.

MCK frequently engages in the issuance of ST debt, which we expect to continue. Since fiscal 2020, MCK has consistently paid down its LT debt levels at greater amounts than issuances. We expect this to continue going forward. MCK holds a long-term credit rating from S&P Global of BBB+, which is supported by strong FCF.

Firm	S&P Global Rating
McKesson (MCK)	BBB+
Cencora (COR)	BBB+
Cardinal Health (CAH)	BBB
Henry Schein (HSIC)	BB+

Source: FactSet

Five-Year Debt Maturity Schedule	
Fiscal Year	Payment (\$M)
2025	50
2026	1,700
2027	1,200
2028	378
2029	986
Thereafter	1,300
Total Debt Principal	5,614

Source: MCK 10K

We do not see room to worry as it relates to the debt maturities in 2026 and 2027. Our forecasts reflect \$5.5 and \$6.4 billion in CFO, respectively.

ESG Analysis

MCK publishes its "Impact" report outlining the progress of its stated ESG initiatives. The initiatives focus on four areas: people, partners, community, and the planet.

Company	ESG Rating	
McKesson (MCK)	13.2	Low
Cencora (COR)	11.0	Low
Cardinal Health (CAH)	11.1	Low
Henry Schein (HSIC)	14.4	Low

Source: Morningstar Sustainability

Environmental

MCK stated emission commitments include 1) reducing 50% of direct Scope 1 and Scope 2 emissions by FY32 from a FY20 base year, and 2) ensuring 70% of MCK suppliers will have their own SBTi-approved GHG reduction targets by FY27⁶. As of FY24, MCK has reduced Scope 1 and Scope 2 emissions by 16.4% - well on track to hit their target⁶. Their recent "Impact" report did not include updates on their SBTi target.

Social

Socially, MCK engages in various initiatives aimed at expanding healthcare equity by improving access to underserved communities⁶. MCK also has DEI programs aimed at fostering an inclusive workplace, while also sponsoring mental health resources and development programs for employees.

Governance

From a governance standpoint, we believe MCK is

positioned favorably. We appreciate the color provided relating to executive remuneration – a pay mix of 92% at-risk compensation (equity and cash incentive plan) and 8% base salary. Equity is granted in the form of PSUs (46%) and RSUs (30%)⁶.

MCK does not have CEO duality and 90% of the board is an independent director. The average tenure for management and the board is 7 and 3 years, respectively.

What is Smart Money Doing?

We feel it is crucial to assess the expectations within the market. Doing so allows us to identify any expectations gaps that may impact our model or outlook for MCK.

Since early 2021, sell-side recommendations have been consistently split roughly 80/20 (buy/hold). Coverage on the Street has increased from 15 analysts to 20 analysts. The company has a notable history of missing GAAP EPS expectations Q/Q, suggesting that Street expectations are too high, or management is guiding optimistically. See the “Henry Fund vs. Consensus” section below to see where we differ through fiscal 2027.

On the buy-side, growth strategies have seen a net inflow, while value strategies have seen a net outflow. Active funds have seen a net inflow since early July. Short interest has elevated in recent months from 1.3% in January to 1.9% in September, indicating that some fund managers are growing more negative on MCK’s outlook.

RECENT DEVELOPMENTS

Recent Earnings Announcement

MCK reported Q2 2025 earnings on November 6th. CEO Brian Tyler highlighted that MCK returned \$1.6B of cash to shareholders in the quarter, (\$1.5B in repurchases & \$80M in dividends). In U.S. Pharmaceutical, strong revenue growth was attributable to increased prescription volumes. Revenues from GLP-1s hit \$10.4B in the quarter (up 47% from \$3.3B compared to the prior year). Management noted that operating profit was impacted by higher investments in RxTS, while Medical-Surgical operating profit fell due to lower volume levels in primary care (in line with expectations). Reported sales for the quarter reached \$93.4 billion, beating Street expectations by 5.21%, while adjusted diluted EPS came in at \$7.07 for a surprise of 2.80%⁴.

Below, we lay out managements raised P&L guidance for FY 2025:

- **Adj. Diluted EPS:** \$32.40 to \$33.00 (from \$31.75 to \$32.55)
- **GAAP Revenues:** 15% to 17% growth (from 13% to 15%). Our forecast is in-line with guidance (16.7%).
- **Operating Profit:** 13% to 15% growth (from 10% to 15%). Our forecast in on the high-end of guidance (15%).
- **Corporate Expenses:** \$510 to \$560 million (from \$495 to \$555)
- **Interest Expense:** \$240 to \$260 million (from \$245 to \$265). Our forecast is on the high-end of guidance (\$275).
- **Free Cash Flow:** \$4.8 to \$5.2 billion
- **Share Repurchases:** Approximately \$3.2 billion (from \$2.8)

InspiroGene

MCK announced InspiroGene on October 1st, 2024. InspiroGene is a dedicated business focused on supporting the commercialization of cell and gene therapies (CGTs) and provides a scalable suite of services to enable manufacturers, payers, and providers to navigate the complex CGT commercialization landscape⁷.

InspiroGene provides solutions such as logistics programs, specialty distribution services, biologics specialty pharmacy, and a CGT dedicated patient hub⁷. In addition, InspiroGene offers a technology platform that provides visibility into the CGT value chain⁷.

Optum Contract

MCK announced the expansion of services provided to Optum in the Q4 2024 earnings print. The contract is 5 years in duration, beginning on July 1st, 2024⁴. The contract is strictly pharmaceutical in nature (servicing Optum Home Delivery, Optum Infusion, OptumCare, etc.), and CFO Britt Vitalone expressed that they expect to incur costs in the transition which are not expected to be material⁴.

INDUSTRY TRENDS

Prescription Utilization

Prescription drug utilization has undergone significant changes since COVID-19, with trends pointing towards

continued growth. Initially, lockdowns and reduced medical visits caused a drop in prescriptions, but utilization rebounded strongly in 2021⁸. IQVIA data showed U.S. prescription drug demand grew 2.9% since 2021, up from just 0.9% in 2020, with mental health prescriptions rising 10% due to increased telemedicine adoption⁸. Looking forward, we expect the prescription drug market and utilization in general to maintain strong momentum, driven by aging populations and advancements in personal medicine. We also expect the rise of specialty drugs, particularly in oncology, immunology, and gene therapy to drive utilization in the coming years.

Weight-Loss and Obesity Drugs

The utilization of weight loss drugs, particularly GLP-1 receptor agonists like semaglutide (marketed as Wegovy and Ozempic), has surged dramatically in recent years and is expected to continue growing at a rapid pace. These drugs, originally developed to treat type 2 diabetes, have shown significant use cases for weight loss. Looking ahead, analysts project continued high demand for GLP-1 drugs, with global sales of obesity medications expected to reach \$105 billion by 2030, according to Morgan Stanley⁹. The popularity of GLP-1s is expected to be fueled by ongoing clinical trials exploring broader applications, including cardiovascular benefits and the management of other metabolic disorders. We expect companies like Novo Nordisk and Eli Lilly to benefit the most regarding production of GLP-1s; however, as healthcare providers and insurers increasingly expand coverage for GLP-1s, distributors such as MCK are likely to benefit from increased utilization as volumes increase.

MARKETS AND COMPETITION

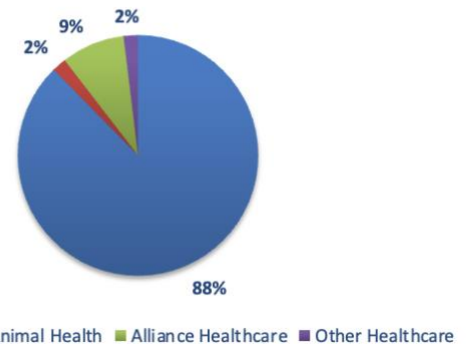
Our peer group consists of leading companies in the healthcare distribution industry. While MCK, CAH, and COR focus primarily on the pharmaceutical distribution, HSIC focuses more on medical, dental, and veterinary supplies. Despite differences in niche focus, their business model shares one key commonality: the distribution of healthcare products and services.

Cencora (COR)

Cencora is a global pharmaceutical distribution company headquartered in Conshohocken, PA. It is known for providing healthcare solutions that optimize pharmaceutical supply chains and improve patient access

to healthcare. COR focuses on pharmaceutical distribution and services, specialty pharmaceuticals, and global commercialization. The company's revenues are driven primarily by pharmaceutical distribution, with an increasing emphasis on specialty, which include oncology and other complex therapies. COR's innovative approach includes partnerships and data-driven strategies to enhance efficiency in healthcare across its global operations.

COR Revenue Decomposition (2023)

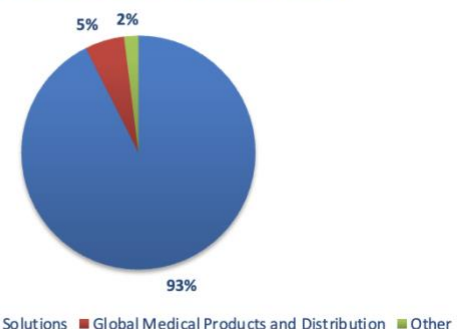


Source: Cencora 10K

Cardinal Health (CAH)

Cardinal Health is a global, integrated healthcare services and products company headquartered in Dublin, OH. It is best known for distributing pharmaceuticals and medical products to hospitals, pharmacies, and healthcare providers. The company's revenues are primarily driven by its pharmaceutical distribution business, with a growing emphasis on medical products and services. CAH also supports healthcare through clinical and operational expertise, working to optimize patient outcomes and the delivery of care.

CAH Revenue Decomposition (2024)

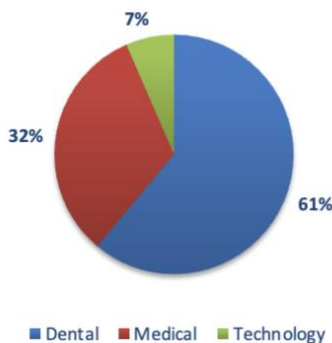


Source: Cardinal Health 10K

Henry Schein (HSIC)

Henry Schein is a global healthcare solutions provider headquartered in Melville, NY. It is best known for distributing medical, dental, and veterinary supplies, as well as offering innovative practice management solutions. HSIC focuses on serving healthcare professionals through its extensive distribution network, supplying products such as dental implants, vaccines, pharmaceuticals, and medical devices. The company's revenues are driven by healthcare distribution, with an increasing focus on digital solutions. HSIC emphasis on sustainability and service has positioned itself as a leading partner to healthcare professionals worldwide.

HSIC Revenue Decomposition (2024)



Source: Henry Schein 10K

Profitability

	Net Margin	Op. Margin	Gross Margin	FCF Margin
Cencora	0.5%	1.1%	3.0%	1.0%
Cardinal Health	0.4%	1.0%	3.2%	1.4%
Henry Schein	3.4%	5.8%	29.6%	2.9%
Harmonic Avg.	0.6%	1.4%	4.4%	1.5%
McKesson	1.0%	1.3%	4.0%	1.3%

Source: FactSet

	ROIC	ROE	ROA	Invest. Cap.
Cencora	29.6%	NM	2.3%	5,095
Cardinal Health	53.7%	NM	1.9%	1,586
Henry Schein	7.8%	11.7%	4.3%	5,332
Harmonic Avg.	16.6%	11.7%	2.5%	2,958
McKesson	64.9%	NM	4.6%	4,623

Source: FactSet

MCK demonstrates a mixed profitability profile compared to our peer group. Its net margin and operating margin of 1.0% and 1.3%, respectively, are in-line or slightly higher than peers. On the other hand, MCK falls short in terms of gross margin and FCF margin.

In terms of return metrics, MCK stands out with its impressive ROIC of 64.9%, far above each peer and the

harmonic average. MCK's ROE, along with COR and CAH, are not-meaningful (NM). Its ROA of 4.6% is also superior to its peers' harmonic average of 2.5%.

BS / CF Snapshot

	Net Debt	D/E	FCF	FCF Conv.
Cencora	1,255	NM	2,998	70.6%
Cardinal Health	476	NM	3,251	113.6%
Henry Schein	2,570	75.0%	353	36.7%
Harmonic Avg.	913	NM	864	59.7%
McKesson	2,805	NM	3,883	85.1%

Source: FactSet

While looking at the balance sheet, MCK compares favorably to the peer group. In terms of net debt, MCK holds \$2.8 billion, roughly \$1.9 billion more than the harmonic average for the peer group of \$913 million. MCK's D/E ratio is not-meaningful (NM) due to shareholders' equity turning into a deficit in Q3 FY2021, which was largely driven by litigation liabilities and share repurchases.

In terms of FCF, MCK generated \$3.9 billion in its most recent fiscal year, the highest in the peer group. We expect MCK to continue to generate positive FCF. While MCK's FCF conversion is above the peer group average, it is important to recognize that HSIC does dramatically influence this average.

Other Peer Metrics

	Debt Rating	Gross Margin	DSO	DOH
Cencora	BBB+	3.0%	27.9	24.9
Cardinal Health	BBB	3.2%	18.7	25.8
Henry Schein	BB+	29.6%	48.9	79.4
Harmonic Avg.	-	4.4%	27.3	32.8
McKesson	BBB+	4.0%	24.2	25.1

Source: FactSet

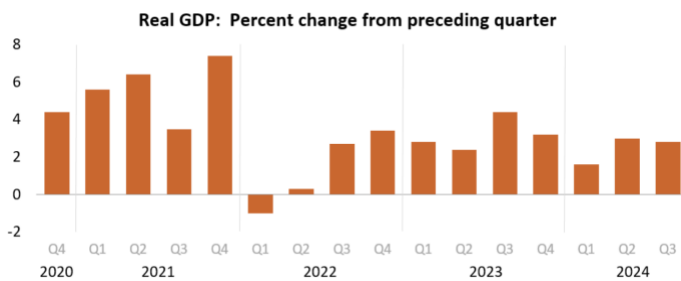
While looking at the other metrics provided above, MCK appears in-line or above peers. We expect MCK to maintain its debt rating and ability to meet interest obligations, while also delivering a more stable margin profile in the future.

MCK consistently achieves lower Days of Sales Outstanding (DSO) and Days of Inventory on Hand (DOH) ratios compared to the peer group, indicating better working capital management and more efficient operations in terms of collecting receivables and managing inventories. We expect this to continue going forward.

ECONOMIC OUTLOOK

Gross Domestic Product (GDP)

In Q1 and Q2 of 2024, the United States saw real GDP growth of 1.4% and 3.0%, respectively¹³. The increase Q/Q reflected an uptick in private inventory investment and an acceleration in consumer spending. Since our last report, the Conference Board has continued to raise their 2024 outlook higher where the forecast currently stands at 2.5% (+40 bps)¹⁴. The image below displays the seasonally adjusted percentage change Q/Q from Q3 2020 to Q2 2024:



Source: U.S. Bureau of Economic Analysis

As healthcare expenditures make up roughly 18% of GDP, we believe GDP will be crucial to monitor in the coming months after the recent rate cut discussions. Our forecasts for near term GDP growth (2.5%) and long-term GDP growth (2.9%) are both below the Conference Board's expectations. Since August 2024, the HF team has had a noticeably more positive outlook, with our near-term GDP outlook shifting +20bps (from 2.3%) and our long-term GDP outlook shifting +30bps (from 2.6%).

Prescription Drug Inflation

Prescription drug inflation has a significant impact on MCK's business, as rising drug prices can influence both its revenue streams and cost structure. Higher drug prices generally translate into increased revenue for a distributor like MCK, as it operates on a percentage-based markup for many of the products it handles. In our view, this is favorable, as MCK can pass through inflation. However, prescription drug inflation is also a focus point for regulation. Initiatives like the Inflation Reduction Act and proposals for Medicare to negotiate drug prices could pressure pharmaceutical pricing, and potentially affect MCK's margins.

According to ASPE, more than 4,200 drug products had price increases, of which 46% were larger than the rate of

inflation, over the period from Jan. 2022 to Jan. 2023¹⁵. The average drug price increase over the course of the period was 15.2%, which translates to \$590 per drug product¹⁵.

Although we do not forecast inflation for specific categories, we expect drug inflation to remain elevated compared to CPI. Our forecasts for CPI are as follows:

- **Short-term (6 months):** 2.5%
- **Long-term (2 years):** 2.3%

Interest Rates

On November 7th, 2024, the Federal Reserve Committee announced their decision to lower the target range for the fed funds rate by 25 bps to 4.50% to 4.75%. The Committee noted that they have gained greater confidence that inflation is moving towards 2%, while also recognizing their dual mandate. Although not explicitly mentioned by the Committee or Fed Chair Jerome Powell, our inclination is that the full employment aspect of their dual mandate is beginning to gain more importance.

According to the dot plot, the Committee expects another 25 bps of cuts in 2024, 100 bps in 2025, and 50 bps in 2026. These cuts result in fed funds rate of 2.75% to 3.00% by 2026.

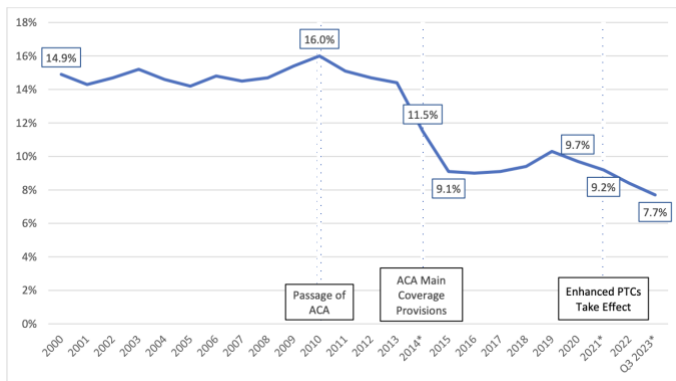
Our forecasts for the fed funds rate are largely in-line with expectations. Short-term (6 months), we expect an additional 25 bps cut resulting in a range of 4.25% to 4.50%. Long-term (2 years), we expect an additional 125 bps in cuts resulting in a range of 3.00% to 3.25%.

Uninsured Rate

Health insurance coverage has potential to significantly impact MCK's business as coverage has a direct impact on the demand for the pharmaceuticals that they distribute. In our view, the uninsured rate showcases a key part in MCK's ability to generate revenues going forward, although it is important to note that the relationship is not as clear as one would think – a lower uninsured rate does not guarantee increased revenue. Given that pharmaceutical demand/access is largely driven by insurance plans, it ultimately comes down to which medications are on the formularies. Provided MCK's existing scale and relationships with customers, we don't necessarily see formulary changes as a major risk, as MCK distributes more than 20,000 different SKU's.

Below, we display the historical uninsured rate. We expect the uninsured rate to see gradual improvement in the future:

Figure 1. National Uninsured Rate, All Ages (2000 – Q3 2023)



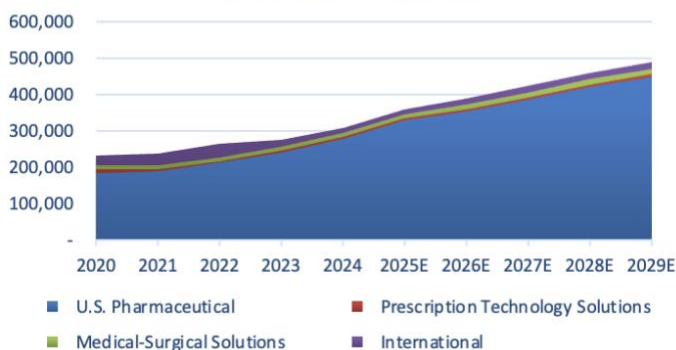
Source: U.S. Bureau of Economic Analysis

VALUATION

Revenue Assumptions

Our revenue assumptions are discussed in greater detail under the “Company Description” section of this report. Due to the limited nature in which MCK discloses its revenue breakdown, we forecasted revenues at a segment level. Our forecasts for fiscal year 2025 and 2026 closely resemble consensus growth estimates. From fiscal year 2027 onward, we incorporate our growth expectations. On a firm wide basis, our revenue forecasts reflect a 5-year CAGR of 9.2%. The image below displays both historical revenues and our forecasted revenues:

MCK Revenue Forecast



Source: McKesson 10K, Henry Fund Model

Payout Policy

MCK has raised its dividend for 17 consecutive years. Given that MCK increases its dividend once per year, and typically within a range of one to eight cents, we have forecasted MCK’s dividend per share to meet historical

increases. We assume dividends to grow to \$3.60 per share in FY2029 (from \$2.40 in FY2024), representing a five-year CAGR of 8.4%.

Our forecast also incorporates the assumption that MCK continues to implement repurchase programs, with repurchases of roughly \$5 billion per year.

WACC

Our discount rate for MCK is 7.31%. The cost of equity was calculated using the risk-free rate of 4.08% (yield on the 10yr.), a beta of .70, and an equity risk premium of 5.00% (HF est.). These inputs resulted in a cost of equity of 7.58%. The after-tax cost of debt was calculated using a pre-tax cost of debt of 5.26% (sourced from FactSet) and a tax rate of 17%. These inputs resulted in a after-tax cost of debt of 4.39%. The weight of equity and debt were calculated to be 91.61% and 8.39%, respectively.

DCF and EP

Our enterprise discounted cash flow (DCF) and economic profit (EP) models resulted in an intrinsic value per share of \$673. The primary inputs used in these models consisted of TV growth of 2.25% for NOPLAT, a TV ROIC of 88.11%, a cost of equity of 7.58%, and a discount rate of 7.31%.

DDM

Our dividend discount model (DDM) resulted in an intrinsic value per share of \$722. The primary inputs used in this model consisted of TV growth of 2.25% for EPS, a TV ROE of 49.85%, and a cost of equity of 7.58%.

For our TV, we leveraged a P/E multiple of 17.9x that was multiplied by our TV EPS estimate of \$51.37.

Relative Valuation

Our relative valuation model leveraged a FY1 and FY2 P/E multiple from the peer group. This resulted in multiples of 16.7x and 14.8x, respectively.

Our EPS estimates of \$27.00 and \$36.11 were then multiplied by the multiples mentioned above, resulting in the following relative values:

Implied Relative Value:

P/E (EPS24)	\$ 449.78
P/E (EPS25)	\$ 534.83

Source: Henry Fund Model

We also feel it is necessary to provide insights into additional multiples for the peer group. The following table displays EV/REV, EV/EBITDA, and P/E estimates for FY1:

Ticker	Company	EV/REV	EV/EBITDA	P/S
COR	Cencora	0.2	11.2	0.2
CAH	Cardinal Health	0.1	10.4	0.1
HSIC	Henry Schein	0.7	12.9	1.1
Harmonic Average		0.2	11.4	0.2
	MCK	0.2	14.7	0.2
	Premium (Discount)	9.5%	28.8%	6.1%

Source: Henry Fund Model

Henry Fund vs. Consensus

Estimates			
	Rev	2025E EPS	DPS
HF	360,552	27.00	2.75
Consensus	358,856	24.74	2.56
% Difference	0.5%	9.1%	7.4%
% Growth Y/Y (HF)	16.7%	20.6%	14.6%

Source: Henry Fund Model

Estimates			
	Rev	2026E EPS	DPS
HF	388,876	36.11	2.96
Consensus	393,100	35.40	2.37
% Difference	-1.1%	2.0%	25.0%
% Growth Y/Y (HF)	7.9%	33.7%	7.8%

Source: Henry Fund Model

Estimates			
	Rev	2027E EPS	DPS
HF	423,264	40.47	3.14
Consensus	420,975	39.87	2.06
% Difference	0.5%	1.5%	52.2%
% Growth Y/Y (HF)	8.8%	12.1%	5.8%

Source: Henry Fund Model

Summary

Our price target of \$685 is calculated through a 75% weight on our DCF implied price and a 25% weight on our DDM implied price. We place more emphasis on the DCF primarily due to the additional layer of uncertainty that comes with forecasting the payout ratio for dividends. In

our view, we see upside in MCK as demand for pharmaceuticals increases, driven by demographic trends across the United States.

KEYS TO MONITOR

Catalysts for Growth

1. A key catalyst for growth lies in the increasing demand for biosimilars and GLP-1 therapies. The expansion of GLP-1 medications presents significant revenue opportunities through MCK's RxTS segment, which supports specialty drug distribution and patient services. Additionally, the growing adoption of biosimilars – a lower cost alternative to biologic drugs – offers a promising avenue for margin expansion as the product mix shifts.
2. MCK is well-positioned for long-term growth as demographic trends in the U.S. point to an aging population and increasing prescription drug utilization. As demand for healthcare services and medications rises, MCK's scale and distribution network will enable it to capitalize on these trends. While short-term headwinds such as pricing pressure or regulatory changes may pose as risks, MCK's scale advantage should help it maintain significant volumes and performance over time.

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McKesson
Revenue Decomposition

\$ in millions	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	
Fiscal Years Ending Dec. 31	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	
Revenues																																	
U.S. Pharmaceutical	44,165	45,979	46,923	46,274	45,062	48,067	49,495	47,042	50,019	53,411	55,041	53,678	56,947	60,059	61,934	61,676	67,160	69,766	73,023	68,790	71,715	85,726	88,358	82,548	81,038	90,870	93,659	89,152	88,331	98,139	102,089	98,067	
Prescription Technology Solutions	2,950	2,983	3,177	2,905	2,570	668	777	789	881	932	1,031	1,020	1,066	1,018	1,121	1,182	1,244	1,140	1,205	1,180	1,241	1,265	1,422	1,392	1,365	1,373	1,564	1,525	1,488	1,482	1,674	1,662	
Medical-Surgical Solutions	1,903	2,056	2,141	2,205	1,801	2,531	3,054	2,711	2,528	3,124	3,082	2,874	2,592	2,843	2,986	2,689	2,611	2,834	3,031	2,837	2,636	2,948	3,258	3,007	2,794	3,066	3,421	3,188	2,990	3,189	3,558	3,506	
International	6,710	6,598	6,931	7,151	6,246	9,540	9,273	8,600	9,246	9,109	9,460	8,530	6,549	6,237	4,449	3,363	3,468	3,475	3,639	3,548	3,691	3,712	3,857	3,775	3,912	3,898	4,050	4,002	4,225	4,248	4,334	4,282	
Net Revenues	55,728	57,616	59,172	58,535	55,679	60,808	62,599	59,142	62,674	66,576	68,614	66,102	67,154	70,157	70,490	68,910	74,483	77,215	80,898	76,355	79,283	93,651	96,895	90,723	89,110	99,206	102,695	97,866	97,035	107,058	111,654	107,517	
Revenue Growth																																	
U.S. Pharmaceutical	-	4.1%	2.1%	-1.4%	-2.6%	6.7%	3.0%	-5.0%	6.3%	6.8%	3.1%	-2.5%	6.1%	5.5%	3.1%	-0.4%	8.9%	3.9%	4.7%	-5.8%	4.3%	19.5%	3.1%	-6.6%	-1.8%	12.1%	3.1%	-4.8%	-0.9%	11.1%	4.0%	-3.9%	
Q/Q	-	-	-	-	-	2.0%	4.5%	5.5%	1.7%	11.0%	11.1%	11.2%	14.1%	13.9%	12.4%	12.5%	14.9%	17.9%	16.2%	17.9%	11.5%	6.8%	22.9%	21.0%	20.0%	13.0%	6.0%	6.0%	8.0%	9.0%	8.0%	9.0%	10.0%
Y/Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prescription Technology Solutions	-	1.1%	6.5%	-8.6%	-11.5%	-74.0%	16.3%	1.5%	11.7%	5.8%	10.6%	-1.1%	4.5%	-4.5%	10.1%	5.4%	5.2%	-8.4%	5.7%	-2.1%	5.2%	1.9%	12.4%	-2.1%	-2.0%	0.5%	14.0%	-2.5%	-2.4%	-0.4%	12.9%	-0.7%	
Q/Q	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Y/Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Medical-Surgical Solutions	-	8.0%	4.1%	3.0%	-18.3%	40.6%	20.6%	-11.2%	-6.8%	23.6%	-1.3%	-6.7%	-9.8%	9.7%	5.0%	-9.9%	-2.9%	8.5%	7.0%	-6.4%	-7.1%	11.8%	10.5%	-7.7%	-7.1%	9.7%	11.6%	-6.8%	-6.2%	6.6%	11.6%	-1.5%	
Q/Q	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Y/Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
International	-	-1.7%	5.0%	3.2%	-12.7%	52.7%	-2.8%	-7.3%	7.5%	-1.5%	3.9%	-9.8%	-23.2%	-4.8%	-28.7%	-24.4%	3.1%	0.2%	4.7%	-2.5%	4.0%	0.6%	3.9%	-2.1%	3.6%	-0.4%	3.9%	-1.2%	5.6%	0.5%	2.0%	-1.2%	
Q/Q	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Y/Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Revenues	-	3.4%	2.7%	-1.1%	-4.9%	9.2%	2.9%	-5.5%	6.0%	6.2%	3.1%	-3.7%	1.6%	4.5%	0.5%	-2.2%	8.1%	3.7%	4.8%	-5.6%	3.8%	18.1%	3.5%	-6.4%	-1.8%	11.3%	3.5%	-4.7%	-0.8%	10.3%	4.3%	-3.7%	
Q/Q	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Y/Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Operating Profit by Segment																																	
U.S. Pharmaceutical	579	639	687	862	608	623	635	892	682	760	744	693	696	896	850	764	827	593	307	1,059	781	1,075	884	991	891	1,000	1,030	1,070	972	1,080	1,123	1,177	
Prescription Technology Solutions	141	(1,311)	61	514	98	88	114	125	104	128	139	139	144	120	136	166	231	238	178	188	203	205	213	239	238	243	235	259	252	251	283		
Medical-Surgical Solutions	125	129	124	121	89	187	260	171	75	296	308	280	256	299	328	234	227	244	268	213	188	89	310	259	263	291	335	284	281	303	349	312	
International	5	1	(303)	36	(10)	(45)	(71)	76	53	(146)	(668)	(207)	(6)	(37)	136	43	57	66	126	70	90	(508)	112	102	102	101	117	108	110	110	126	116	
Net Operating Profit	850	(542)	569	1,533	785	853	938	1,264	914	1,038	513	905	1,090	1,278	1,450	1,207	1,342	1,141	879	1,530	1,262	861	1,518	1,591	1,493	1,635	1,718	1,721	1,621	1,755	1,848	1,887	
Operating Margin by Segment																																	
U.S. Pharmaceutical	1.3%	1.4%	1.5%	1.9%	1.3%	1.3%	1.3%	1.9%	1.4%	1.4%	1.4%	1.3%	1.2%	1.5%	1.4%	1.2%	1.2%	0.8%	0.4%	1.5%	1.1%	1.3%	1.0%	1.2%	1.1%	1.1%	1.1%	1.2%	1.1%	1.1%	1.1%	1.2%	
Prescription Technology Solutions	4.8%	-43.9%	1.9%	17.7%	3.8%	13.2%	14.7%	15.8%	11.8%	13.7%	12.5%	13.6%	13.5%	11.8%	12.1%	14.0%	18.6%	20.9%	14.8%	15.9%	16.4%	16.2%	15.0%	17.2%	17.4%	17.7%	15.0%	17.0%	17.4%	17.7%	15.0%	17.0%	
Medical-Surgical Solutions	6.6%	6.3%	5.8%	5.5%	4.9%	7.4%	8.5%	6.3%	3.0%	9.5%	10.0%	9.7%	9.9%	10.5%	11.0%	8.7%	8.7%	8.6%	8.8%	7.5%	7.1%	3.0%	9.5%	8.6%	9.4%	9.5%	9.8%	8.9%	9.4%	9.5%	9.8%	8.9%	
International	0.1%	0.0%	-4.4%	0.5%	-0.2%	-0.5%	-0.8%	0.9%	0.6%	-1.6%	-7.1%	-2.4%	-0.1%	-0.6%	3.1%	1.3%	1.6%	1.9%	3.5%	2.0%	2.4%	-13.7%	2.9%	2.7%	2.6%	2.6%	2.9%	2.7%	2.6%	2.6%	2.9%	2.7%	
Net Operating Margin	1.5%	-0.9%	1.0%	2.6%	1.4%	1.4%	1.5%	2.1%	1.5%	1.6%	0.7%	1.4%	1.6%	1.8%	2.1%	1.8%	1.8%	1.5%	1.1%	2.0%	1.6%	0.9%	1.6%	1.8%	1.7%	1.6%	1.7%	1.8%	1.7%	1.6%	1.7%	1.8%	
Margin Chg. In BPS by Segment																																	
U.S. Pharmaceutical	-	8	7	40	(51)	(5)	(1)	61	(53)	6	(7)	(6)	(7)	27	(12)	(13)	(1)	(38)	(43)	112	(45)	16	(25)	20	(10)	-	-	10	(10)	-	-	10	
Q/Q	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Y/Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prescription Technology Solutions	-	-4873	4587	1577	(1,388)	936	150	117	(404)	193	(122)	112	(12)	(172)	34	191	453	231	(611)	116	43	(15)	(121)	220	20	30	(270)	200	40	30	(270)	200	
Q/Q	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Y/Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Medical-Surgical Solutions	-	-29	-48	-30	(55)	244	113	(221)	(334)	651	52	(25)	13	64	47	(228)	(1)	(8)	23	(133)	(38)	(411)	648	(90)	80	10	30	(90)	50	10	30	(90)	
Q/Q	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Y/Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
International	-	-6	-439	488	(66)	(31)	(29)	165	(31)	(218)	(546)	463	234	(50)	365	(178)	36	26	156	(149)	47	(1,612)	1,659	(20)	(10)	-	30	(20)	(10)	-	30	(20)	
Q/Q	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-</																		

McKesson
Revenue Decomposition

\$ in millions	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
<i>Fiscal Years Ending Dec. 31</i>	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenues										
U.S. Pharmaceutical	183,341	189,666	212,149	240,616	278,739	328,347	354,719	386,626	421,423	448,815
Prescription Technology Solutions	12,015	4,804	3,864	4,387	4,769	5,320	5,826	6,306	6,810	7,253
Medical-Surgical Solutions	8,305	10,099	11,608	11,110	11,313	11,850	12,469	13,243	14,104	15,020
International	27,390	33,659	36,345	20,598	14,130	15,035	15,862	17,089	18,200	19,383
Net Revenues	231,051	238,228	263,966	276,711	308,951	360,552	388,876	423,264	460,536	490,471
Revenue Growth										
U.S. Pharmaceutical										
Q/Q	-	-	-	-	-	-	-	-	-	-
Y/Y	-	3.4%	11.9%	13.4%	15.8%	17.8%	8.0%	9.0%	9.0%	6.5%
Prescription Technology Solutions										
Q/Q	-	-	-	-	-	-	-	-	-	-
Y/Y	-	-60.0%	-19.6%	13.5%	8.7%	11.6%	9.5%	8.2%	8.0%	6.5%
Medical-Surgical Solutions										
Q/Q	-	-	-	-	-	-	-	-	-	-
Y/Y	-	21.6%	14.9%	-4.3%	1.8%	4.7%	5.2%	6.2%	6.5%	6.5%
International										
Q/Q	-	-	-	-	-	-	-	-	-	-
Y/Y	-	22.9%	8.0%	-43.3%	-31.4%	6.4%	5.5%	7.7%	6.5%	6.5%
Net Revenues										
Q/Q	-	-	-	-	-	-	-	-	-	-
Y/Y	-	3.1%	10.8%	4.8%	11.7%	16.7%	7.9%	8.8%	6.5%	6.5%
Operating Profit by Segment										
U.S. Pharmaceutical	2,767	2,758	2,879	3,206	2,786	3,730	3,991	4,351	4,743	5,051
Prescription Technology Solutions	(595)	425	500	566	835	861	974	1,055	1,139	1,213
Medical-Surgical Solutions	499	707	959	1,117	952	845	1,173	1,245	1,326	1,412
International	(261)	(50)	(968)	136	319	(204)	429	462	492	524
Net Operating Profit	2,410	3,840	3,370	5,025	4,892	5,232	6,567	7,112	7,699	8,199
Operating Margin by Segment										
U.S. Pharmaceutical	1.5%	1.5%	1.4%	1.3%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%
Prescription Technology Solutions	-5.0%	8.8%	12.9%	12.9%	17.5%	16.2%	16.7%	16.7%	16.7%	16.7%
Medical-Surgical Solutions	6.0%	7.0%	8.3%	10.1%	8.4%	7.1%	9.4%	9.4%	9.4%	9.4%
International	-1.0%	-0.1%	-2.7%	0.7%	2.3%	-1.4%	2.7%	2.7%	2.7%	2.7%
Net Operating Margin	1.0%	1.6%	1.3%	1.8%	1.6%	1.5%	1.7%	1.7%	1.7%	1.7%
Margin Chg. In BPS by Segment										
U.S. Pharmaceutical										
Q/Q	-	-	-	-	-	-	-	-	-	-
Y/Y	-	(6)	(10)	(2)	(33)	14	(1)	0	-	-
Prescription Technology Solutions										
Q/Q	-	-	-	-	-	-	-	-	-	-
Y/Y	-	1,380	409	(4)	461	(133)	54	1	-	-
Medical-Surgical Solutions										
Q/Q	-	-	-	-	-	-	-	-	-	-
Y/Y	-	99	126	179	(164)	(128)	227	(1)	-	-
International										
Q/Q	-	-	-	-	-	-	-	-	-	-
Y/Y	-	80	(251)	332	160	(362)	406	(0)	-	-
Net Chg. In BPS										
Q/Q	-	-	-	-	-	-	-	-	-	-
Y/Y	-	57	(34)	54	(23)	(13)	24	(1)	-	-

McKesson

Income Statement

\$ in millions	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Fiscal Years Ending March 31	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q1E	2Q2E	3Q3E	4Q4E	1Q1E	2Q2E	3Q3E	4Q4E	1Q1E	2Q2E	3Q3E	4Q4E
Revenues	55,728	57,616	59,172	58,535	55,679	60,808	62,599	59,142	62,674	66,576	68,614	66,102	67,154	70,157	70,490	68,910	74,483	77,215	80,898	76,355	79,283	93,651	96,895	90,723	89,110	99,206	102,695	97,866	97,035	107,058	111,654	107,517
Q/Q Chg.	-	3.4%	2.7%	-1.1%	-4.9%	9.2%	2.9%	-5.5%	6.0%	6.2%	3.1%	-3.7%	1.6%	4.5%	0.5%	-2.2%	8.1%	3.7%	4.8%	-5.6%	3.8%	18.1%	3.5%	-6.4%	-1.8%	11.3%	3.5%	-4.7%	-0.8%	10.3%	4.3%	-3.7%
Y/Y Chg.	-	-	-	-	-0.1%	5.5%	5.8%	1.0%	12.6%	9.5%	9.6%	11.8%	7.1%	5.4%	2.7%	4.2%	10.9%	10.1%	14.8%	10.8%	6.4%	21.3%	19.8%	18.8%	12.4%	5.9%	6.0%	7.9%	8.9%	7.9%	8.7%	9.9%
Cost of Product Sold (Ex. D&A)	(52,712)	(54,515)	(55,911)	(54,968)	(52,762)	(57,586)	(59,221)	(55,624)	(59,424)	(63,029)	(65,001)	(62,622)	(63,983)	(66,911)	(67,168)	(65,683)	(71,302)	(73,989)	(77,587)	(72,610)	(75,962)	(90,342)	(93,165)	(86,867)	(85,634)	(95,436)	(98,690)	(93,755)	(93,347)	(103,135)	(107,523)	(103,324)
Depreciation	(229)	(234)	(228)	(231)	(75)	(79)	(83)	(84)	(80)	(68)	(67)	(64)	(61)	(63)	(61)	(63)	(64)	(65)	(62)	(62)	(63)	(61)	(72)	(70)	(81)	(80)	(93)	(98)	(104)	(110)	(116)	(123)
Amortization	-	-	-	-	(142)	(143)	(144)	(137)	(138)	(127)	(118)	(98)	(87)	(88)	(87)	(98)	(95)	(92)	(97)	(98)	(106)	(102)	(89)	(86)	(83)	(79)	(74)	(71)	(68)	(65)	(62)	(59)
Gross Profit	2,787	2,867	3,033	3,336	2,700	3,000	3,151	3,297	3,032	3,352	3,428	3,318	3,023	3,095	3,174	3,066	3,022	3,069	3,152	3,585	3,152	3,146	3,570	3,693	3,311	3,604	3,838	3,941	3,516	3,749	3,953	4,012
Margin	5.0%	5.0%	5.1%	5.7%	4.8%	4.9%	5.0%	5.6%	4.8%	5.0%	5.0%	5.0%	4.5%	4.4%	4.5%	4.4%	4.1%	4.0%	3.9%	4.7%	4.0%	3.4%	3.7%	4.1%	3.7%	3.6%	3.7%	4.0%	3.6%	3.5%	3.5%	3.7%
Y/Y Chg. BPS	-	-	-	-	(15)	(4)	(9)	(12)	(1)	10	(4)	(56)	(34)	(62)	(49)	(57)	(44)	(44)	(61)	25	(8)	(62)	(21)	(62)	(26)	27	5	(6)	(9)	(13)	(20)	(30)
Operating Expenses																																
SG&A	(2,130)	(2,196)	(2,535)	(2,403)	(1,966)	(2,237)	(2,291)	(2,224)	(2,232)	(2,669)	(3,105)	(2,531)	(1,959)	(1,950)	(1,903)	(1,964)	(1,870)	(2,092)	(2,506)	(2,189)	(2,001)	(2,401)	(2,277)	(2,313)	(2,183)	(2,183)	(2,362)	(2,349)	(2,232)	(2,302)	(2,289)	(2,473)
Claims & Litigation Charges, Net	-	-	-	-	-	-	(8,067)	-	(74)	(112)	(7)	(81)	(5)	9	1	3	-	2	-	(149)	(112)	-	-	-	-	-	-	-	-	-	-	-
Goodwill Impairment Charges	-	-	(2)	-	-	(69)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring	(23)	(45)	(1136)	(64)	(56)	(60)	(155)	(63)	(158)	(32)	(18)	(73)	(23)	(30)	(31)	(125)	(52)	(28)	(6)	(31)	(10)	-	(25)	(27)	(25)	(26)	(29)	(27)	(27)	(30)	(31)	(30)
Total Operating Expenses	(2,153)	(2,241)	(2,673)	(2,467)	(2,022)	(2,366)	(10,513)	(2,287)	(2,464)	(2,813)	(3,130)	(2,685)	(1,987)	(1,971)	(1,933)	(2,086)	(1,922)	(2,118)	(2,510)	(2,369)	(2,123)	(2,401)	(2,302)	(2,341)	(2,208)	(2,208)	(2,391)	(2,376)	(2,259)	(2,331)	(2,320)	(2,503)
EBIT	634	626	360	869	678	634	(7,362)	1,010	568	539	298	633	1,036	1,124	1,241	980	1,100	951	642	1,216	1,029	745	1,268	1,352	1,103	1,396	1,447	1,565	1,257	1,418	1,634	1,509
Margin	1.1%	1.1%	0.6%	1.5%	1.2%	1.0%	-11.8%	1.7%	0.9%	0.8%	0.4%	1.0%	1.5%	1.6%	1.8%	1.4%	1.5%	1.2%	0.8%	1.6%	1.3%	0.8%	1.3%	1.5%	1.2%	1.4%	1.4%	1.6%	1.3%	1.3%	1.5%	1.4%
Y/Y Chg. BPS	-	-	-	-	8	(4)	(1,237)	22	(31)	(23)	1,219	(75)	64	79	133	46	(7)	(37)	(97)	17	(18)	(44)	52	(10)	(6)	61	10	11	6	(8)	5	(20)
Other Income, Net	37	(78)	26	27	27	71	54	71	43	139	20	57	15	175	276	31	38	26	34	34	130	34	34	34	131	34	35	35	132	35	35	35
Equity Earnings from Change Healthcare JV	4	(1,454)	(28)	370	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on Debt Extinguishment	-	-	-	-	-	-	-	-	-	(191)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	(56)	(64)	(64)	(65)	(60)	(50)	(55)	(52)	(49)	(45)	(41)	(43)	(45)	(55)	(69)	(79)	(47)	(61)	(64)	(80)	(75)	(78)	(61)	(62)	(73)	(77)	(79)	(79)	(78)	(76)	(77)	(78)
EBT	619	(970)	294	1,201	645	655	(7,363)	1,029	562	442	277	647	1,006	1,244	1,448	932	1,091	916	612	1,170	1,084	534	1,242	1,325	1,161	1,353	1,403	1,521	1,311	1,376	1,591	1,466
Margin	1.1%	-1.7%	0.5%	2.1%	1.2%	1.1%	-11.8%	1.7%	0.9%	0.7%	0.4%	1.0%	1.5%	1.8%	2.1%	1.4%	1.5%	1.2%	0.8%	1.5%	1.4%	0.6%	1.3%	1.5%	1.3%	1.4%	1.4%	1.6%	1.4%	1.3%	1.4%	1.4%
Income Tax Benefit (Expense)	(136)	294	(47)	(129)	(150)	(28)	1,189	(316)	(26)	(132)	(238)	(240)	(199)	(271)	(329)	(106)	(94)	(213)	18	(340)	(124)	(247)	(236)	(245)	(215)	(250)	(260)	(281)	(242)	(255)	(294)	(271)
Tax Rate	22.0%	30.3%	16.0%	10.7%	23.3%	4.3%	16.1%	30.7%	4.6%	29.9%	85.9%	37.1%	19.8%	21.8%	22.7%	11.4%	8.6%	23.3%	-2.9%	29.1%	11.4%	46.3%	19.0%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%
Income (Loss) from Discontinued Ops.	(6)	(1)	(5)	6	(1)	-	-	-	(3)	-	-	(2)	2	(6)	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncontrolling Interests	(54)	(53)	(56)	(57)	(50)	(50)	(52)	(47)	(47)	(43)	(46)	(37)	(41)	(41)	(41)	(39)	(39)	(39)	(41)	(39)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)
Net Income	423	(730)	186	1,021	444	577	(6,226)	666	486	267	(7)	368	768	926	1,079	787	958	664	589	791	915	241	961	1,035	901	1,058	1,098	1,195	1,023	1,077	1,252	1,150
Margin	0.8%	-1.3%	0.3%	1.7%	0.8%	0.9%	-9.9%	1.1%	0.8%	0.4%	0.0%	0.6%	1.1%	1.3%	1.5%	1.1%	1.3%	0.9%	0.7%	1.0%	1.2%	0.3%	1.0%	1.1%	1.0%	1.1%	1.1%	1.2%	1.1%	1.0%	1.1%	1.1%
Share Information																																
GAAP Diluted Shares	189	183	180	175	163	163	160	161	158	156	152	149	146	144	141	138	137	135	133	132	131	129	128	126	124	123	121	119	117	115	113	112
Seq. Chg.	-	(6)	(3)	(5)	(11)	-	(6)	3	(3)	(2)	(4)	(3)	(3)	(2)	(3)	(3)	(1)	(2)	(2)	(2)	(1)	(2)	(1)	(1)	(2)	(2)	(1)	(3)	(2)	(3)	(2)	(3)
BPS	2.24	(3.99)	1.03	5.85	2.72	3.54	(39.03)	4.15	3.07	1.71	(0.04)	2.47	5.26	6.42	7.66	5.71	7.02	4.92	4.42	6.02	7.00	1.87	7.54	8.19	7.24	8.63	9.11	10.06	8.75	9.35	11.04	10.30
Q/Q Chg. (Y/Y Chg.)	-	-278.2%	-125.7%	470.8%	-53.5%	30.0%	-1204.1%	-110.6%	-25.9%	-44.3%	-102.1%	-6918.4%	113.4%	21.9%	19.4%	-25.4%	22.9%	-30.0%	-10.1%	36.3%	16.3%	-73.3%	302.4%	8.7%	-11.6%	19.2%	5.5%	10.5%	-13.0%	6.9%	18.1%	-6.7%
DPS	0.39	0.41	0.41	0.41	0.41	0.42	0.42	0.42	0.42	0.47	0.47	0.47	0.47	0.54	0.54	0.54	0.54	0.62	0.62	0.62	0.62	0.71	0.71	0.71	0.71	0.75	0.75	0.75	0.75	0.79	0.79	0.79
Payout Ratio	17.4%	-10.3%	40.0%	7.0%	15.1%	15.9%	-1.1%	10.1%	13.7%	27.4%	-1299.3%	19.1%	8.9%	8.4%	7.0%	9.5%	7.7%	12.6%	14.0%	10.3%	8.86%	37.92%	9.62%	8.66%	9.81%	8.70%	8.25%	7.46%	8.58%	8.50%	7.30%	7.72%

McKesson

Income Statement

\$ in millions	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
Fiscal Years Ending March 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenues	231,051	238,228	263,966	276,711	308,951	360,552	388,876	423,264	450,776	480,077
Q/Q Chg.	-	-	-	-	-	-	-	-	-	-
Y/Y Chg.	-	3.1%	10.8%	4.8%	11.7%	16.7%	7.9%	8.8%	6.5%	6.5%
Cost of Product Sold (Ex. D&A)	(218,106)	(225,193)	(250,076)	(263,745)	(295,488)	(346,336)	(373,515)	(407,329)	(432,970)	(461,354)
Depreciation	(922)	(321)	(279)	(248)	(253)	(272)	(358)	(452)	(556)	(657)
Amortization	-	(566)	(481)	(360)	(382)	(383)	(307)	(254)	(213)	(172)
Gross Profit	12,023	12,148	13,130	12,358	12,828	13,561	14,695	15,230	17,037	17,894
Margin	5.2%	5.1%	5.0%	4.5%	4.2%	3.8%	3.8%	3.6%	3.8%	3.7%
Y/Y Chg. BPS	-	(10)	(13)	(51)	(31)	(39)	2	(18)	18	(5)
Operating Expenses										
SG&A	(9,264)	(8,718)	(10,537)	(7,776)	(8,657)	(8,992)	(9,076)	(9,295)	(10,555)	(11,241)
Claims & Litigation Charges, Net	-	(8,067)	(274)	8	(147)	-	-	-	-	-
Goodwill Impairment Charges	(2)	(69)	-	-	-	-	-	-	-	-
Restructuring	(268)	(334)	(281)	(209)	(115)	(62)	(77)	(103)	(92)	(98)
Total Operating Expenses	(9,534)	(17,188)	(11,092)	(7,977)	(8,919)	(9,054)	(9,154)	(9,398)	(10,647)	(11,339)
EBIT	2,489	(5,040)	2,038	4,381	3,909	4,506	5,542	5,832	6,390	6,555
Margin	1.1%	-2.1%	0.8%	1.6%	1.3%	1.2%	1.4%	1.4%	1.4%	1.4%
Y/Y Chg. BPS	-	(319)	289	81	(32)	(2)	18	(5)	4	(5)
Other Income, Net	12	223	259	497	132	233	234	234	242	250
Equity Earnings from Change Healthcare JV	(1,108)	-	-	-	-	-	-	-	-	-
Loss on Debt Extinguishment	-	-	(191)	-	-	-	-	-	-	-
Interest Expense	(249)	(217)	(178)	(248)	(252)	(275)	(274)	(273)	(313)	(318)
EBT	1,144	(5,034)	1,928	4,630	3,789	4,464	5,502	5,793	6,319	6,487
Margin	0.5%	-2.1%	0.7%	1.7%	1.2%	1.2%	1.4%	1.4%	1.4%	1.4%
Income Tax Benefit (Expense)	(18)	695	(636)	(905)	(629)	(852)	(1,006)	(1,063)	(1,159)	(1,190)
Tax Rate	1.6%	13.8%	33.0%	19.5%	16.6%	19.1%	18.3%	18.3%	18.3%	18.3%
Income (Loss) from Discontinued Ops.	(6)	(1)	(5)	(3)	-	-	-	-	-	-
Noncontrolling Interests	(220)	(199)	(173)	(162)	(158)	(180)	(180)	(180)	(180)	(180)
Net Income	900	(4,539)	1,114	3,560	3,002	3,432	4,316	4,550	4,980	5,117
Margin	0.4%	-1.9%	0.4%	1.3%	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%
Share Information										
GAAP Diluted Shares	182	162	154	142	134	127	120	112	106	100
Seq. Chg.	-	(20)	(8)	(11)	(8)	(7)	(8)	(7)	(7)	(6)
EPS	4.96	(28.09)	7.25	25.03	22.39	27.00	36.11	40.47	47.07	51.37
Q/Q Chg. (Y/Y Chg.)	-	-667%	-126%	245%	-11%	21%	34%	12%	16%	9%
DPS	1.62	1.67	1.83	2.09	2.40	2.75	2.96	3.14	3.34	3.60
Payout Ratio	32.7%	-5.9%	25.2%	8.4%	10.7%	10.2%	8.2%	7.7%	7.1%	7.0%

McKesson
Balance Sheet

\$ in Millions	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	
<i>Fiscal Years Ending March 31</i>	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Cash & Equivalents	1,947	1,356	2,065	4,015	2,613	3,091	3,577	6,278	2,423	2,151	2,754	3,532	2,233	2,916	2,774	4,678	2,636	2,524	1,982	4,583	2,302	2,348	3,307	3,556	3,872	4,561	6,121	6,459	6,818	8,022	9,092	9,544	
Receivables, net	19,287	18,984	18,831	19,990	17,768	18,235	18,877	19,181	20,198	20,140	18,555	18,583	19,900	20,109	20,537	19,410	21,860	22,247	23,066	21,622	23,743	27,207	28,092	26,277	25,890	28,970	29,836	28,654	28,203	31,139	32,482	31,553	
Inventories, net	16,604	16,193	16,735	16,786	16,435	16,416	16,416	19,246	20,016	19,347	19,024	18,721	19,505	19,197	19,871	19,891	20,510	20,940	22,066	20,338	25,571	27,159	28,490	26,338	26,193	29,499	30,020	28,643	28,464	31,470	32,821	31,252	
Assets Held for Sale	-	-	856	906	844	833	15	12	-	7	3,086	5,534	4,516	3,155	2,825	14	17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prepaid Expenses & Other	590	657	618	617	850	701	688	665	706	861	831	898	590	722	675	496	533	568	572	626	636	708	740	698	697	769	790	756	679	749	782	753	
Total Current Assets	38,428	37,353	39,390	42,222	38,682	42,345	42,368	45,382	43,350	45,580	46,498	46,231	45,383	46,448	44,657	44,292	45,539	47,531	47,640	47,970	52,252	57,722	60,239	56,870	56,653	63,799	66,767	64,302	64,165	71,380	75,776	73,083	
PPE, net	2,466	2,493	2,408	2,365	2,392	2,471	2,518	2,581	2,549	2,222	2,064	2,092	2,083	2,071	2,140	2,177	2,172	2,171	2,201	2,316	2,357	2,523	2,700	2,883	3,071	3,265	3,467	3,674	3,888	4,109	4,337	4,572	
Operating Lease ROU Assets	2,031	2,002	2,013	1,886	1,857	1,895	1,955	2,108	1,886	1,857	1,981	1,948	1,598	1,548	1,653	1,635	1,693	1,680	1,679	1,729	1,735	1,857	1,988	2,122	2,261	2,404	2,552	2,705	2,862	3,025	3,192	3,366	
Goodwill	9,441	9,408	9,456	9,360	9,419	9,414	9,511	9,493	9,520	9,473	9,462	9,451	9,368	9,239	9,934	9,947	9,971	9,934	9,973	10,132	10,118	10,118	10,118	10,118	10,118	10,118	10,118	10,118	10,118	10,118	10,118	10,118	
Intangible Assets	6,600	3,489	3,364	3,156	3,090	3,300	2,980	2,878	2,797	2,385	2,130	2,059	1,976	1,827	2,273	2,277	2,221	2,142	2,097	2,110	2,045	1,943	1,854	1,768	1,685	1,606	1,531	1,460	1,392	1,327	1,265	1,207	
Investment in Change Healthcare IV	3,617	2,167	2,143	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Assets	2,097	2,082	2,099	2,258	2,226	2,403	2,513	2,581	2,607	2,173	1,973	1,917	1,887	1,903	2,033	1,992	2,500	2,633	2,922	3,186	3,163	3,473	3,661	3,495	3,475	3,815	3,920	3,757	3,725	4,110	4,286	4,127	
Total Assets	61,680	58,994	60,873	61,247	57,666	61,558	61,845	65,015	62,894	63,601	63,708	63,298	62,295	63,081	62,690	62,320	64,096	66,091	66,512	67,443	71,670	77,335	80,561	77,255	77,262	85,007	88,355	86,016	86,150	94,068	98,375	96,473	
Drafts and Accounts Payable	34,021	32,560	32,744	37,195	33,209	36,255	36,509	38,975	38,389	38,922	37,183	38,086	39,708	41,003	42,238	42,490	43,982	46,795	46,659	47,097	51,704	55,971	57,910	54,221	53,257	59,290	61,376	58,490	57,993	63,984	66,730	64,258	
ST Borrowings	-	549	2,109	-	-	-	152	-	-	-	372	-	-	-	-	-	-	-	-	218	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Current Portion of LT Debt	310	302	1,007	1,052	1,053	1,760	777	742	752	39	438	799	799	800	404	968	50	49	48	50	51	51	51	51	425	425	425	425	425	300	300	300	300
Current Portion of Operating Lease Liabilities	173	362	365	354	358	367	384	390	392	348	294	297	293	284	294	299	295	296	323	345	367	390	415	442	468	495	523	552	582	582	582	582	
Liabilities Held for Sale	-	471	-	9	9	533	493	493	533	509	433	491	533	509	433	491	533	509	433	491	533	509	433	491	533	509	433	491	533	509	433	491	533
Other Current Liabilities	3,248	3,372	3,359	3,340	3,471	3,805	4,094	3,987	4,297	4,429	4,332	4,543	4,077	4,259	4,453	4,195	4,090	4,007	4,400	4,915	4,383	5,260	5,467	5,201	5,161	5,617	5,842	5,582	5,532	6,106	6,368	6,132	
Total Current Liabilities	37,952	37,145	40,055	42,624	38,600	42,724	41,930	44,103	43,835	46,075	47,452	48,466	47,201	48,375	48,006	47,957	48,422	51,047	51,661	52,357	56,434	61,605	63,773	59,840	59,232	65,748	68,085	64,964	64,534	70,913	70,951	71,272	
LT Debt	7,382	7,342	6,734	6,335	6,395	5,848	6,467	6,406	6,424	5,946	5,518	5,080	4,976	4,813	5,452	4,626	5,611	5,535	5,625	5,579	5,584	5,660	5,759	5,641	5,578	5,684	5,699	5,619	5,576	5,691	5,736	5,657	
LT Deferred Tax Liabilities	3,058	2,718	2,886	2,255	2,274	2,293	773	1,411	1,441	1,352	1,369	1,418	1,541	1,660	1,465	1,387	1,139	1,112	978	917	928	927	925	923	923	921	920	919	917	916	915	914	
LT Operating Lease Liabilities	1,805	1,763	1,780	1,660	1,627	1,747	1,886	1,966	1,856	1,391	1,362	1,412	1,362	1,412	1,362	1,412	1,362	1,412	1,362	1,412	1,362	1,412	1,362	1,412	1,362	1,412	1,362	1,412	1,362	1,412	1,362	1,412	
LT Litigation Liabilities	2,016	1,958	1,838	1,662	-	-	8,067	8,067	7,596	7,146	7,153	7,220	7,132	6,644	6,128	6,128	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	
Other Liabilities	-	-	-	-	1,703	1,669	1,846	1,715	1,748	1,564	1,612	1,540	1,553	1,541	1,804	1,813	2,074	2,197	2,381	2,610	2,525	2,843	2,990	2,843	2,826	3,097	3,193	3,058	3,032	3,345	3,488	3,359	
Redeemable Noncontrolling Interests	1,399	1,384	1,397	1,402	1,414	1,265	1,292	1,271	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Liabilities	53,612	52,302	54,488	55,938	52,013	55,468	62,122	64,840	62,599	63,688	64,495	65,090	63,767	64,330	64,779	63,810	65,336	67,555	68,194	69,042	73,051	78,730	81,248	77,160	76,590	83,864	86,179	82,969	82,390	89,445	92,913	90,172	
Common Equity	6,486	6,576	6,617	6,666	6,713	6,782	6,849	6,927	7,059	7,313	7,413	7,277	7,365	7,612	7,539	7,750	7,827	7,900	7,965	8,051	8,129	8,134	8,138	8,144	8,144	8,144	8,144	8,144	8,144	8,144	8,144	8,144	
Retained Earnings	12,770	11,965	12,675	13,022	13,384	13,890	7,595	8,202	8,618	8,821	8,754	9,030	9,732	10,519	11,582	12,295	13,182	13,761	14,848	14,978	15,810	15,960	16,830	17,775	18,588	19,553	20,561	21,667	22,602	23,587	24,749	25,810	
Accumulated Other Comprehensive Income (Loss)	(1,778)	(1,704)	(1,663)	(1,703)	(1,733)	(1,597)	(1,503)	(1,480)	(1,612)	(1,665)	(1,655)	(1,534)	(948)	(1,114)	(899)	(905)	(848)	(887)	(812)	(881)	(913)	(913)	(913)	(913)	(913)	(913)	(913)	(913)	(913)	(913)	(913)	(913)	
Treasury Shares	(9,604)	(10,355)	(10,855)	(12,892)	(12,916)	(13,485)	(13,418)	(13,670)	(14,579)	(15,031)	(15,766)	(17,045)	(20,141)	(18,844)	(20,677)	(20,997)	(21,763)	(22,604)	(23,474)	(24,119)	(24,781)	(24,904)	(25,027)	(25,150)	(25,340)	(25,330)	(25,719)	(25,909)	(26,087)	(26,264)	(26,441)	(26,619)	
Total Shareholders' Equity (Deficit)	7,874	6,482	6,174	5,093	5,446	5,890	4,777	(21)	(529)	(571)	(1,274)	(2,272)	(8,004)	(1,767)	(2,455)	(1,857)	(1,602)	(1,828)	(2,053)	(1,971)	(1,755)	(1,724)	(1,972)	(1,444)	478	1,254	2,072	2,888	3,746	4,554	5,538	6,422	
Noncontrolling Interest	194	210	211	217	207	200	200	196	484	484	487	480	532	518	366	367	362	364	371	377	374	379	284	239	194	149	104	59	14	(31)	(76)	(121)	
Total Shareholders' Equity (Deficit)	8,068	6,692	6,385	5,310	5,653	6,090	(277)	175	(45)	(87)	(787)	(1,792)	(1,472)	(1,249)	(2,089)	(1,490)	(1,240)	(1,464)	(1,682)	(1,597)	(1,381)	(1,349)	(1,688)	95	672	1,403	2,176	3,047	3,760	4,523	5,462	6,301	
Liabilities + Equity	61,680	58,994	60,873	61,248	57,666	61,558	61,845	65,015	62,894	63,601	63,708	63,298	62,295	63,081	62,690	62,320	64,096	66,091	66,512	67,443	71,670	77,335	80,561	77,255	77,262	85,007	88,355	86,016	86,150	94,068	98,375	96,473	
CHECK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	

McKesson
Balance Sheet

\$ in millions	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
Fiscal Years Ending March 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Cash & Equivalents	4,015	6,278	3,532	4,678	4,583	3,556	6,459	9,544	13,392	17,969
Receivables, Net	19,950	19,181	18,583	19,410	21,622	26,277	28,433	31,255	33,286	35,450
Inventories, Net	16,734	19,246	18,702	19,691	21,139	26,338	28,654	31,532	33,581	35,764
Assets Held for Sale	906	12	4,516	17	-	-	-	-	-	-
Prepaid Expenses & Other	617	665	898	496	626	698	756	753	802	855
Total Current Assets	42,222	45,382	46,231	44,292	47,970	56,870	64,302	73,083	81,062	90,037
PPE, Net	2,365	2,581	2,092	2,177	2,316	2,883	3,674	4,572	5,407	6,182
Operating Lease ROU Assets	1,886	2,100	1,548	1,635	1,729	2,122	2,705	3,366	3,980	4,550.876
Goodwill	9,360	9,493	9,451	9,947	10,132	10,118	10,118	10,118	10,118	10,118
Intangible Assets	3,156	2,878	2,059	2,277	2,110	1,768	1,460	1,207	994	822
Investment in Change Healthcare JV	-	-	-	-	-	-	-	-	-	-
Other Assets	2,258	2,581	1,917	1,992	3,186	3,495	3,757	4,127	4,395	4,681
Total Assets	61,247	65,015	63,298	62,320	67,443	77,255	86,016	96,473	105,956	116,391
Drafts and Accounts Payable	37,195	38,975	38,086	42,490	47,097	54,221	58,490	64,258	68,434	72,883
ST Borrowings	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	-	-
Current Portion of LT Debt	1,052	742	799	968	50	51	425	300	378	986
Current Portion of Operating Lease Liabilities	354	390	297	299	295	367	468	582	688	787
Liabilities Held for Sale	683	9	4,741	5	-	-	-	-	-	-
Other Accrued Liabilities	3,340	3,987	4,543	4,195	4,915	5,201	5,582	6,132	6,531	6,955
Total Current Liabilities	42,624	44,103	48,466	47,957	52,357	59,840	64,964	71,272	76,032	81,611
LT Debt	6,335	6,406	5,080	4,626	5,579	5,641	5,619	5,657	5,677	5,676
LT Deferred Tax Liabilities	2,255	1,411	1,418	1,387	917	923	919	914	914	914
LT Operating Lease Liabilities	1,660	1,867	1,366	1,402	1,466	1,799	2,295	2,856	3,378	3,862
LT Litigation Liabilities	1,662	8,067	7,220	6,625	6,113	6,114	6,114	6,114	6,114	6,114
Other Liabilities	-	1,715	1,540	1,813	2,610	2,843	3,058	3,359	3,578	3,810
Redeemable Noncontrolling Interests	1,402	1,271	-	-	-	-	-	-	-	-
Total Liabilities	55,938	64,840	65,090	63,810	69,042	77,160	82,969	90,172	95,692	101,987
Common Equity	6,666	6,927	7,277	7,750	8,051	8,144	8,144	8,144	8,144	8,144
Retained Earnings	13,022	8,202	9,030	12,295	14,978	17,775	21,667	25,810	30,436	35,195
Accumulated Other Comprehensive Income (Loss)	(1,703)	(1,480)	(1,534)	(905)	(881)	(913)	(913)	(913)	(913)	(913)
Treasury Shares	(12,892)	(13,670)	(17,045)	(20,997)	(24,119)	(25,150)	(25,909)	(26,619)	(27,282)	(27,901)
Total Shareholders' Equity (Deficit)	5,093	(21)	(2,272)	(1,857)	(1,971)	(144)	2,988	6,422	10,385	14,524
Noncontrolling Interest	217	196	480	367	372	239	59	(121)	(121)	(121)
Total Shareholders' Equity (Deficit)	5,310	175	(1,792)	(1,490)	(1,599)	95	3,047	6,301	10,264	14,403
						-	-	-	-	-
Liabilities + Equity	61,248	65,015	63,298	62,320	67,443	77,255	86,016	96,473	105,956	116,391
CHECK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

McKesson
Historical Cash Flow Statement

\$ in millions	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Jun-24
<i>Fiscal Years Ending March 31</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>1Q 2025</i>
Cash Flow from Operations						
Net Income	1,120	(4,340)	1,287	3,722	3,160	960
Depreciation	321	321	279	248	253	63
Amortization	601	566	481	360	382	106
Goodwill & Long-Lived Asset Impairment Charges	139	242	175	72	43	3
Equity Earnings & Charges from Investment in Change Healthcare JV	1,084	-	-	-	-	-
Deferred Taxes	(342)	(908)	34	(20)	(603)	28
Credits Associated with LIFO Inventory	(252)	(38)	(23)	1	(157)	(2)
Non-Cash Operating Lease Expense	366	334	241	249	228	57
Loss (Gain) from Sales of Businesses & Investments	33	(9)	(132)	(211)	(17)	(86)
European Businesses Held for Sale	-	-	1,509	-	-	-
Other Non-Cash Items	615	188	501	298	1,052	84
Receivables	(2,494)	1,145	(1,843)	(1,082)	(2,954)	(2,101)
Inventories	(376)	(2,276)	(1,169)	(1,259)	(1,294)	(4,442)
Drafts and Accounts Payable	3,952	1,267	2,802	3,788	4,587	4,616
Operating Lease Liabilities	(377)	(362)	(356)	(338)	(339)	(96)
Taxes	(8)	(166)	243	363	331	(211)
Litigation Liabilities	-	8,067	199	(1,088)	(395)	114
Other	(8)	511	206	56	37	(473)
Net Cash Flow from Operations	4,374	4,542	4,434	5,159	4,314	(1,380)
Cash Flow from Investing						
Payments for PPE	(362)	(451)	(388)	(390)	(431)	(106)
Capitalized Software Expenditures	(144)	(190)	(147)	(168)	(256)	(61)
Acquisitions, Net of Cash	(133)	(35)	(6)	(867)	(272)	-
Proceeds from Sales of Businesses and Investments, Net	37	400	578	1,077	47	90
Other	23	(139)	(126)	(194)	(160)	(10)
Net Cash Flow from Investing	(579)	(415)	(89)	(542)	(1,072)	(87)
Cash Flow from Financing						
Proceeds from ST Borrowings	21,437	6,323	11,192	8,450	19,964	1,361
Repayments of ST Borrowings	(21,437)	(6,323)	(11,192)	(8,450)	(19,964)	(1,361)
Proceeds from Issuances of LT Debt	-	500	498	997	991	-
Repayments of LT Debt	(298)	(1,040)	(1,648)	(1,274)	(288)	-
Payments for Debt Extinguishments	-	-	(184)	-	-	-
Purchase of Gov. Obligations	-	-	-	-	(647)	-
Common Stock Issuances	113	92	220	163	116	22
Common Stock Repurchases	(1,934)	(742)	(3,516)	(3,638)	(3,025)	(527)
Dividends Paid	(294)	(276)	(277)	(292)	(314)	(82)
Exercise of Put Right by Non-Controlling Shareholders of McKesson Europe AG	(3)	(49)	(1,031)	-	-	-
Other	(318)	(178)	(383)	(324)	(175)	(222)
Net Cash Flow from Financing	(2,734)	(1,693)	(6,321)	(4,368)	(3,342)	(809)
Exchange Rate Effect	(19)	(61)	55	25	6	(5)
Cash Classified as Assets Held for Sale	-	-	(540)	470	-	-
Change in Cash	1,042	2,373	(2,461)	744	(94)	(2,281)
Cash Beginning of Period	2,981	4,023	6,396	3,935	4,679	4,585
Cash (Including Restricted Cash) End of Period	4,023	6,396	3,935	4,679	4,585	2,304
Less: Restricted Cash at YE Included in Prepaid Expenses & Other	(8)	(118)	(403)	(1)	(2)	(2)
Cash End of Period	4,015	6,278	3,532	4,678	4,583	2,302
BS Cash	4,015	6,278	3,532	4,678	4,583	2,302
CF Check	OK	OK	OK	OK	OK	OK

McKesson
Forecasted Cash Flow Statement

\$ in millions	Sep-24	Dec-24	Mar-24	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Fiscal Years Ending March 31	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Cash Flow from Operations											
Net Income	241	961	1,035	901	1,058	1,098	1,195	1,023	1,077	1,252	1,150
D&A	163	161	163	164	165	167	169	172	175	178	181
Receivables	(3,464)	(885)	1,815	387	(3,080)	(866)	1,403	230	(2,935)	(1,344)	1,227
Inventories	(1,588)	(941)	1,762	145	(3,307)	(521)	1,366	189	(3,005)	(1,351)	1,289
Prepaid Expenses & Other	(72)	(32)	42	1	(72)	(21)	35	76	(70)	(32)	29
Other Assets	(310)	(188)	166	19	(340)	(105)	163	32	(385)	(176)	159
Drafts and Accounts Payable	4,267	1,939	(3,689)	(964)	6,034	2,085	(2,886)	(497)	5,991	2,747	(2,472)
Other Accrued Liabilities	877	207	(266)	(40)	457	225	(261)	(47)	572	262	(236)
Other Liabilities	318	147	(147)	(17)	271	96	(136)	(26)	313	144	(129)
LT Deferred Tax Liabilities	(1)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Current Portion of Operating Lease Liabilities	27	22	22	23	26	27	26	27	28	29	30
LT Operating Lease Liabilities	115	106	112	118	122	127	128	133	138	143	147
Net Cash Flow from Operations	574	1,494	1,012	737	1,333	2,312	1,201	1,311	1,897	1,849	1,374
Cash Flow from Investing											
PPE, Gross	(227)	(249)	(259)	(269)	(281)	(294)	(306)	(318)	(331)	(344)	(358)
Operating Lease ROU Assets	(122)	(131)	(134)	(139)	(143)	(148)	(153)	(158)	(163)	(168)	(173)
Net Cash Flow from Investing	(349)	(380)	(393)	(408)	(424)	(442)	(458)	(475)	(493)	(512)	(531)
Cash Flow from Financing											
Current Portion of LT Debt	-	-	-	374	-	-	-	(125)	-	-	-
LT Debt	76	99	(118)	(63)	106	16	(80)	(43)	115	44	(79)
Common Equity	5	5	5	-	-	-	-	-	-	-	-
Treasury Shares	(123)	(123)	(123)	(190)	(190)	(190)	(190)	(177)	(177)	(177)	(177)
Noncontrolling Interest	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)
Dividends	(91)	(91)	(90)	(88)	(92)	(91)	(89)	(88)	(92)	(90)	(89)
Net Cash Flow from Financing	(179)	(155)	(370)	(12)	(221)	(310)	(404)	(478)	(199)	(268)	(390)
Change in Cash	46	959	249	316	689	1,560	338	358	1,204	1,069	453
Cash Beginning of Period	2,302	2,348	3,307	3,556	3,872	4,561	6,121	6,459	6,818	8,022	9,092
Cash End of Period	2,348	3,307	3,556	3,872	4,561	6,121	6,459	6,818	8,022	9,092	9,544
BS Cash	2,348	3,307	3,556	3,872	4,561	6,121	6,459	6,818	8,022	9,092	9,544
CF Check	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
Q2 - Q4	2026E	2027E	2028E	2029E
2,237	4,251	4,502	4,980	5,117
486	665	706	769	829
(2,534)	(2,156)	(2,822)	(2,032)	(2,164)
(767)	(2,316)	(2,878)	(2,050)	(2,183)
(62)	(57)	3	(49)	(52)
(332)	(262)	(370)	(268)	(286)
2,517	4,269	5,768	4,177	4,448
818	381	550	399	425
318	215	302	218	233
(5)	(5)	(5)	0	0
71	101	114	106	99
333	496	561	522	484
3,080	5,583	6,431	6,772	6,950
(735)	(1,149)	(1,350)	(1,391)	(1,432)
(387)	(583)	(661)	(615)	(571)
(1,122)	(1,732)	(2,011)	(2,005)	(2,003)
-	374	(125)	78	608
57	(22)	38	20	(1)
15	-	-	-	-
(369)	(759)	(709)	(663)	(620)
(135)	(180)	(180)	-	-
(272)	(360)	(358)	(354)	(358)
(704)	(947)	(1,335)	(918)	(371)
1,254	2,903	3,085	3,848	4,577
2,302	3,556	6,459	9,544	13,392
3,556	6,459	9,544	13,392	17,969
3,556	6,459	9,544	13,392	17,969
OK	OK	OK	OK	OK

\$ in millions	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
Fiscal Years Ending March 31	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Q1E	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Product Sold (Ex. D&A)	95.28%	95.37%	95.29%	95.32%	95.73%	95.82%	95.91%	95.10%	95.81%	96.47%	96.15%	95.75%	96.10%	96.20%	96.10%	95.80%	96.20%	96.34%	96.30%	96.10%	94.74%	95.31%	95.64%	96.06%	96.05%	96.24%	96.05%	96.10%
Depreciation	0.09%	0.09%	0.09%	0.09%	0.09%	0.08%	0.08%	0.08%	0.08%	0.07%	0.07%	0.08%	0.09%	0.09%	0.09%	0.10%	0.11%	0.10%	0.10%	0.11%	0.11%	0.09%	0.08%	0.08%	0.09%	0.11%	0.12%	0.14%
Amortization	0.13%	0.13%	0.12%	0.14%	0.13%	0.12%	0.12%	0.13%	0.13%	0.11%	0.09%	0.10%	0.09%	0.08%	0.07%	0.07%	0.07%	0.06%	0.06%	0.05%	0.18%	0.13%	0.12%	0.11%	0.08%	0.06%	0.05%	0.04%
Gross Profit	4.50%	4.41%	4.50%	4.45%	4.06%	3.97%	3.90%	4.70%	3.98%	3.36%	3.68%	4.07%	3.72%	3.63%	3.74%	4.03%	3.62%	3.50%	3.54%	3.73%	4.97%	4.47%	4.15%	3.76%	3.78%	3.60%	3.78%	3.73%
Operating Expenses																												
SG&A	2.92%	2.78%	2.70%	2.85%	2.51%	2.71%	3.10%	2.87%	2.52%	2.56%	2.35%	2.55%	2.45%	2.20%	2.30%	2.40%	2.30%	2.15%	2.05%	2.30%	3.99%	2.81%	2.80%	2.49%	2.33%	2.20%	2.34%	2.34%
Claims & Litigation Charges, Net	0.01%	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.20%	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%	0.00%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%
Goodwill Impairment Charges	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Restructuring	0.03%	0.04%	0.04%	0.18%	0.07%	0.04%	0.00%	0.04%	0.01%	0.00%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.11%	0.08%	0.04%	0.02%	0.02%	0.02%	0.02%	0.02%
Total Operating Expenses	2.96%	2.81%	2.74%	3.03%	2.58%	2.74%	3.10%	3.10%	2.68%	2.56%	2.38%	2.58%	2.48%	2.23%	2.33%	2.43%	2.33%	2.18%	2.08%	2.33%	4.20%	2.88%	2.89%	2.51%	2.35%	2.22%	2.36%	2.36%
EBIT	1.54%	1.60%	1.76%	1.42%	1.48%	1.23%	0.79%	1.59%	1.30%	0.80%	1.31%	1.49%	1.24%	1.41%	1.41%	1.60%	1.29%	1.32%	1.46%	1.40%	0.77%	1.58%	1.27%	1.25%	1.43%	1.38%	1.42%	1.37%
Other Income, Net	0.02%	0.25%	0.39%	0.04%	0.05%	0.03%	0.04%	0.04%	0.16%	0.04%	0.04%	0.04%	0.15%	0.03%	0.03%	0.04%	0.14%	0.03%	0.03%	0.03%	0.10%	0.18%	0.04%	0.06%	0.06%	0.06%	0.05%	0.05%
Equity Earnings from Change Healthcare JV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loss on Debt Extinguishment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest Expense	0.07%	0.08%	0.10%	0.11%	0.06%	0.08%	0.08%	0.10%	0.09%	0.08%	0.06%	0.07%	0.08%	0.08%	0.08%	0.08%	0.08%	0.07%	0.07%	0.07%	0.07%	0.09%	0.08%	0.08%	0.08%	0.07%	0.06%	0.07%
EBT	1.50%	1.77%	2.05%	1.35%	1.46%	1.19%	0.76%	1.53%	1.37%	0.57%	1.28%	1.46%	1.30%	1.36%	1.37%	1.55%	1.35%	1.29%	1.43%	1.36%	0.73%	1.67%	1.23%	1.24%	1.41%	1.37%	1.40%	1.35%
Income Tax Benefit (Expense)	0.30%	0.39%	0.47%	0.15%	0.13%	0.28%	-0.02%	0.45%	0.16%	0.26%	0.24%	0.27%	0.24%	0.25%	0.25%	0.29%	0.25%	0.24%	0.26%	0.25%	0.24%	0.33%	0.20%	0.24%	0.26%	0.25%	0.26%	0.25%
Income (Loss) from Discontinued Ops.	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Noncontrolling Interests	0.06%	0.06%	0.06%	0.06%	0.05%	0.05%	0.05%	0.05%	0.06%	0.05%	0.05%	0.05%	0.05%	0.05%	0.04%	0.05%	0.05%	0.04%	0.04%	0.04%	0.07%	0.06%	0.05%	0.05%	0.05%	0.04%	0.04%	0.04%
Net Income	1.14%	1.32%	1.53%	1.14%	1.29%	0.86%	0.73%	1.04%	1.15%	0.26%	0.99%	1.14%	1.01%	1.07%	1.07%	1.22%	1.05%	1.01%	1.12%	1.07%	0.42%	1.29%	0.97%	0.95%	1.11%	1.07%	1.10%	1.07%

\$ in millions	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-24	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
Fiscal Years Ending March 31	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Q1	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Cash & Equivalents	3.33%	4.16%	3.94%	6.79%	3.54%	3.27%	2.45%	6.00%	2.90%	2.51%	3.41%	3.92%	4.35%	4.60%	5.96%	6.60%	7.03%	7.49%	8.14%	8.88%	1.34%	1.69%	1.48%	0.99%	1.66%	2.25%	2.97%	3.74%
Receivables, Net	29.63%	28.66%	29.13%	28.17%	29.35%	29.13%	28.51%	28.32%	29.95%	29.05%	28.99%	28.96%	29.05%	29.20%	29.05%	29.05%	29.07%	29.09%	29.09%	29.07%	7.04%	7.01%	7.00%	7.29%	7.31%	7.38%	7.38%	7.38%
Inventories, Net	29.05%	28.33%	29.30%	28.57%	27.54%	28.42%	27.22%	27.69%	32.25%	29.00%	29.00%	29.03%	29.39%	29.74%	29.23%	29.28%	29.33%	29.39%	29.40%	29.33%	7.09%	7.12%	6.84%	7.30%	7.37%	7.45%	7.45%	7.45%
Assets Held for Sale	4.70%	4.03%	0.02%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.71%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prepaid Expenses & Other	0.88%	1.03%	0.96%	0.72%	0.72%	0.74%	0.71%	0.82%	0.80%	0.76%	0.76%	0.77%	0.78%	0.77%	0.77%	0.77%	0.70%	0.70%	0.70%	0.70%	0.34%	0.18%	0.20%	0.19%	0.19%	0.18%	0.18%	0.18%
Total Current Assets	67.58%	66.21%	63.35%	64.28%	61.14%	61.56%	58.89%	62.82%	65.91%	61.31%	62.17%	62.69%	63.58%	64.31%	65.02%	65.70%	66.13%	66.67%	67.33%	67.97%	17.51%	16.01%	15.53%	15.77%	16.54%	17.27%	17.98%	18.75%
PPE, Net	3.10%	2.95%	3.04%	3.16%	2.92%	2.81%	2.72%	3.03%	2.97%	2.69%	2.79%	3.18%	3.45%	3.29%	3.38%	3.75%	4.01%	3.84%	3.88%	4.25%	0.79%	0.79%	0.75%	0.80%	0.94%	1.08%	1.20%	1.29%
Operating Lease ROU Assets	2.38%	2.21%	2.35%	2.37%	2.27%	2.18%	2.08%	2.26%	2.19%	1.98%	2.05%	2.34%	2.54%	2.42%	2.48%	2.76%	2.95%	2.83%	2.86%	3.13%	0.59%	0.59%	0.56%	0.59%	0.70%	0.80%	0.88%	0.95%
Goodwill	13.95%	13.17%	14.09%	14.43%	13.39%	12.87%	12.33%	13.27%	12.76%	10.80%	10.44%	11.15%	11.35%	10.20%	9.85%	10.34%	10.43%	9.45%	9.06%	9.41%	3.58%	3.59%	3.28%	2.81%	2.60%	2.39%	2.24%	2.11%
Intangible Assets	2.94%	2.67%	3.22%	3.30%	2.98%	2.77%	2.59%	2.76%	2.58%	2.07%	1.91%	1.95%	1.89%	1.62%	1.49%	1.49%	1.43%	1.24%	1.13%	1.12%	0.78%	0.82%	0.68%	0.49%	0.38%	0.29%	0.22%	0.17%
Investment in Change Healthcare JV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Assets	2.81%	2.71%	2.88%	2.89%	3.36%	3.41%	3.61%	4.17%	3.99%	3.71%	3.78%	3.85%	3.90%	3.85%	3.82%	3.84%	3.84%	3.84%	3.84%	3.84%	0.73%	0.72%	1.03%	0.97%	0.97%	0.98%	0.98%	0.98%
Total Assets	92.76%	89.91%	88.93%	90.44%	86.05%	85.59%	82.22%	88.33%	90.40%	82.58%	83.14%	85.15%	86.70%	85.69%	86.04%	87.89%	88.78%	87.87%	88.11%	89.73%	23.98%	22.52%	21.83%	21.43%	22.12%	22.79%	23.51%	24.24%
Drafts and Accounts Payable	59.13%	58.44%	59.92%	61.66%	59.05%	60.60%	57.73%	61.68%	65.21%	59.77%	59.77%	59.77%	59.77%	59.77%	59.77%	59.77%	59.77%	59.77%	59.77%	59.77%	14.43%	15.36%	15.24%	15.04%	15.04%	15.18%	15.18%	15.18%
ST Borrowings	0.00%	0.00%	0.88%	0.00%	0.00%	0.00%	0.27%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred Revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Current Portion of LT Debt	1.19%	1.14%	0.57%	1.40%	0.07%	0.06%	0.06%	0.07%	0.06%	0.05%	0.05%	0.06%	0.48%	0.43%	0.41%	0.43%	0.31%	0.28%	0.27%	0.28%	0.30%	0.35%	0.02%	0.01%	0.11%	0.07%	0.08%	0.21%
Current Portion of Operating Lease Liabilities	0.44%	0.40%	0.41%	0.43%	0.40%	0.38%	0.37%	0.39%	0.37%	0.35%	0.36%	0.40%	0.44%	0.42%	0.43%	0.48%	0.51%	0.49%	0.49%	0.54%	0.11%	0.11%	0.10%	0.10%	0.12%	0.14%	0.15%	0.16%
Liabilities Held for Sale	3.46%	2.84%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.80%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Accrued Liabilities	6.07%	6.10%	6.32%	6.09%	5.49%	5.19%	5.44%	6.44%	5.53%	5.62%	5.64%	5.73%	5.79%	5.66%	5.69%	5.70%	5.70%	5.70%	5.70%	5.70%	1.72%	1.52%	1.59%	1.44%	1.44%	1.45%	1.45%	1.45%
Total Current Liabilities	70.29%	68.93%	68.10%	69.59%	65.01%	66.24%	63.86%	68.57%	71.18%	65.78%	65.82%	65.96%	66.47%	66.27%	66.30%	66.38%	66.29%	66.24%	66.23%	66.29%	18.36%	17.33%	16.95%	16.60%	16.71%	16.84%	16.87%	17.00%
LT Debt	7.41%	6.86%	7.73%	6.71%	7.53%	7.17%	6.95%	7.31%	7.04%	6.04%	5.94%	6.22%	6.26%	5.73%	5.55%	5.74%	5.75%	5.32%	5.14%	5.26%	1.92%	1.67%	1.81%	1.56%	1.44%	1.34%	1.26%	1.18%
LT Deferred Tax Liabilities	2.29%	2.37%	2.08%	2.01%	1.53%	1.44%	1.21%	1.20%	1.17%	0.99%	0.96%	1.02%	1.04%	0.93%	0.90%	0.94%	0.95%	0.86%	0.82%	0.85%	0.54%	0.50%	0.30%	0.26%	0.24%	0.22%	0.20%	0.19%
LT Operating Lease Liabilities	2.03%	1.87%	2.00%	2.03%	1.96%	1.86%	1.76%	1.92%	1.85%	1.69%	1.74%	1.98%	2.15%	2.06%	2.11%	2.34%	2.50%	2.40%	2.43%	2.66%	0.52%	0.51%	0.47%	0.50%	0.59%	0.67%	0.75%	0.80%
LT Litigation Liabilities	10.62%	9.47%	9.42%	9.61%	8.90%	7.94%	7.57%	8.01%	7.71%	6.53%	6.31%	6.74%	6.86%	6.16%	5.95%	6.25%	6.30%	5.71%	5.48%	5.69%	2.74%	2.39%	1.98%	1.70%	1.57%	1.44%	1.36%	1.27%
Other Liabilities	2.31%	2.20%	2.56%	2.63%	2.78%	2.85%	2.94%	3.42%	3.18%	3.04%	3.09%	3.13%	3.17%	3.12%	3.11%	3.12%	3.12%	3.12%	3.12%	3.12%	0.58%	0.66%	0.84%	0.79%	0.79%	0.79%	0.79%	0.79%
Redeemable Noncontrolling Interests	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Liabilities	94.96%	91.69%	91.90%	92.60%	87.72%	87.49%	84.30%	90.42%	92.14%	84.07%	83.85%	85.05%	85.95%	84.27%	83.92%	84.78%	84.91%	83.64%	83.21%	83.87%	24.66%	23.06%	22.35%	21.40%	21.34%	21.30%	21.23%	21.24%
Common Equity	10.95%	10.85%	10.70%	11.25%	10.51%	10.23%	9.85%	10.54%	10.25%	8.69%	8.40%	8.98%	9.14%	8.21%	7.93%	8.32%	8.39%	7.61%	7.29%	7.57%	2.76%	2.80%	2.61%	2.26%	2.09%	1.92%	1.81%	1.70%
Retained Earnings	14.49%	15.08%	16.43%	17.84%	17.70%	17.82%	17.64%	19.62%	19.94%	17.04%	17.37%	19.59%	20.86%	19.71%	20.02%	22.14%	23.29%	22.03%	22.17%	24.01%	3.42%	4.44%	4.85%	4.93%	5.57%	6.10%	6.75%	7.33%
Accumulated Other Comprehensive Income (Loss)	-1.41%	-1.59%	-1.28%	-1.31%	-1.14%	-1.15%	-1.00%	-1.15%	-1.15%	-0.97%	-0.94%	-1.01%	-1.02%	-0.92%	-0.89%	-0.93%	-0.94%	-0.85%	-0.82%	-0.85%	-0.58%	-0.33%	-0.29%	-0.25%	-0.23%	-0.22%	-0.20%	-0.19%
Treasury Shares	-27.01%	-26.86%	-29.33%	-30.47%	-29.22%	-29.27%	-29.02%	-31.59%	-31.26%	-26.59%	-25.83%	-27.72%	-28.44%	-25.73%	-25.04%	-26.47%	-26.88%	-24.53%	-23.68%	-24.76%	-6.46%	-7.59%	-7.81%	-6.98%	-6.66%	-6.29%	-6.05%	-5.81%
Total Shareholders' Equity (Deficit)	-2.98%	-2.52%	-3.48%	-2.69%	-2.15%	-2.37%	-2.54%	-2.58%	-2.21%	-1.84%	-1.00%	-0.16%	0.54%	1.26%	2.02%	3.05%	3.86%	4.25%	4.96%	5.97%	-0.86%	-0.67%	-0.64%	-0.04%	0.77%	1.52%	2.30%	3.03%
Noncontrolling Interest	0.79%	0.74%	0.52%	0.53%	0.49%	0.47%	0.46%	0.49%	0.47%	0.35%	0.29%	0.26%	0.22%	0.15%	0.10%	0.06%	0.01%	-0.03%	-0.07%	-0.11%	0.18%	0.13%	0.12%	0.07%	0.02%	-0.03%	-0.03%	-0.03%
Total Deficit	-2.19%	-1.78%	-2.96%	-2.16%	-1.66%	-1.90%	-2.08%	-2.09%	-1.74%	-1.49%	-0.71%	0.10%	0.75%	1.41%	2.12%	3.11%	3.87%	4.22%	4.89%	5.86%	-0.68%	-0.54%	-0.52%	0.03%	0.78%	1.49%	2.28%	3.00%
Liabilities + Equity	92.76%	89.91%	88.93%	90.44%	86.05%	85.59%	82.22%	88.33%	90.40%	82.58%	83.14%	85.15%	86.70%	85.69%	86.04%	87.89%	88.78%	87.87%	88.11%	89.73%	23.98%	22.52%	21.83%	21.43%	22.12%	22.79%	23.51%	24.24%

Fiscal Years Ending March 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
NOPLAT:								
Revenue	263,966	276,711	308,951	360,552	388,876	423,264	450,776	480,077
Less: D&A	(760)	(608)	(635)	(655)	(665)	(706)	(769)	(829)
Less: Cost of Product Sold (Ex. D&A)	(250,076)	(263,745)	(295,488)	(346,336)	(373,515)	(407,329)	(432,970)	(461,354)
Less: SG&A	(10,537)	(7,776)	(8,657)	(8,992)	(9,076)	(9,295)	(10,555)	(11,241)
Plus: Implied Interest on Operating Leases	511	320	287	405	494	617	730	835
EBIT	3,104	4,902	4,458	4,973	6,113	6,552	7,213	7,488
Tax Rate	33.0%	19.5%	16.6%	19.1%	18.3%	18.3%	18.3%	18.3%
Provision for Income Taxes	636	905	629	852	1,006	1,063	1,159	1,190
Plus: Tax Shield on Operating Leases	168	62	48	77	90	113	134	153
Plus: Tax Shield on Claims & Litigation	90	2	24	-	-	-	-	-
Plus: Tax Shield on Goodwill Impairment	-	-	-	-	-	-	-	-
Plus: Tax Shield on Restructuring	93	41	19	12	14	19	17	18
Plus: Tax Shield on Debt Extinguishment	63	-	-	-	-	-	-	-
Plus: Tax Shield on Interest Expense	59	48	42	53	50	50	57	58
Less: Tax Shield on Other Income	85	97	22	44	43	43	44	46
Adjusted Taxes	1,024	961	740	949	1,118	1,202	1,323	1,374
Changes in Deferred Tax	7	(31)	(470)	6	(5)	(5)	0	0
NOPLAT	2,087	3,909	3,248	4,030	4,991	5,345	5,890	6,114
Invested Capital (IC):								
Normal Cash	4,691	4,917	5,490	6,407	6,910	7,521	8,010	8,531
Receivables	18,583	19,410	21,622	26,277	28,433	31,255	33,286	35,450
Inventories	18,702	19,691	21,139	26,338	28,654	31,532	33,581	35,764
Prepaid Expenses	898	496	626	698	756	753	802	854
Operating Current Assets	42,874	44,514	48,877	59,721	64,753	71,061	75,679	80,599
Accounts Payable	38,086	42,490	47,097	54,221	58,490	64,258	68,434	72,883
Other Accrued Liabilities	4,543	4,195	4,915	5,201	5,582	6,132	6,531	6,955
Operating Current Liabilities	42,629	46,685	52,012	59,421	64,071	70,390	74,965	79,838
Operating Working Capital	245	(2,171)	(3,135)	299	681	671	714	761
PPE, Net	2,092	2,177	2,316	2,883	3,674	4,572	5,407	6,182
LT Operating Assets	1,917	1,992	3,186	3,495	3,757	4,127	4,395	4,681
LT Operating Liabilities	1,540	1,813	2,610	2,843	3,058	3,359	3,578	3,810
Invested Capital	2,714	185	(243)	3,834	5,055	6,011	6,939	7,814
Free Cash Flow (FCF):								
NOPLAT	2,087	3,909	3,248	4,030	4,991	5,345	5,890	6,114
Change in IC	(1,097)	(2,529)	(428)	4,077	1,220	956	928	875
FCF	3,183	6,438	3,676	(47)	3,770	4,388	4,961	5,240
				5161.84	6206.98	6537.28	7159.10	7384.40
Return on Invested Capital (ROIC):								
NOPLAT	2,087	3,909	3,248	4,030	4,991	5,345	5,890	6,114
Beginning IC	3,810	2,714	185	(243)	3,834	5,055	6,011	6,939
ROIC	54.8%	144.1%	1754.0%	-1659.2%	130.2%	105.7%	98.0%	88.1%
Economic Profit (EP):								
Beginning IC	3,810	2,714	185	(243)	3,834	5,055	6,011	6,939
x (ROIC - WACC)	47.5%	136.7%	1746.7%	-1666.5%	122.9%	98.4%	90.7%	80.8%
EP	1,808	3,711	3,234	4,048	4,710	4,975	5,450	5,607

McKesson*Weighted Average Cost of Capital (WACC) Estimation*

Cost of Equity:			<i>ASSUMPTIONS:</i>
Risk-Free Rate	4.08%		<i>10 yr. U.S. Treasury</i>
Beta	0.70		
Equity Risk Premium	5.00%		<i>Henry Fund Estimate</i>
Cost of Equity	7.58%		
Cost of Debt:			
Risk-Free Rate	4.08%		<i>10 yr. U.S. Treasury</i>
Implied Default Premium	1.18%		
Pre-Tax Cost of Debt	5.26%		<i>Sourced from FactSet</i>
Marginal Tax Rate	17%		
After-Tax Cost of Debt	4.39%		
Market Value of Common Equity:			MV Weights
Total Shares Outstanding	131		
Current Stock Price	\$615.65		
MV of Equity	80,465		91.61%
Market Value of Debt:			
Short-Term Debt	-		
Current Portion of LTD	51		
Long-Term Debt	5,584		
PV of Operating Leases	1,735		
MV of Total Debt	7,370		8.39%
Market Value of the Firm	87,835		100.00%
Estimated WACC			7.31%

McKesson*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	2.25%
CV Year ROIC	88.11%
WACC	7.31%
Cost of Equity	7.58%
CV NOPLAT	6,114

Fiscal Years Ending March 31	2025E	2026E	2027E	2028E	2029E
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DCF Model:

Free Cash Flow (FCF)	(47)	3,770	4,388	4,961	5,240
Continuing Value (CV)					117,706
PV of FCF	(43)	3,274	3,551	3,741	88,757

Value of Operating Assets:	99,280
Non-Operating Adjustments	
Less: Debt Obligations	7,370
Less: Noncontrolling Interest	374
Less: Litigation	6,114
Less: ESOP	47
Less: Non-Controlling Interest	372

Value of Equity	85,002
Shares Outstanding	131
Intrinsic Value of Last FYE	\$ 650.36

Implied Price as of Today **\$ 673.05**

EP Model:

Economic Profit (EP)	4,048	4,710	4,975	5,450	5,607
Continuing Value (CV)					110,766
PV of EP	3,772	4,090	4,026	4,110	83,524

Total PV of EP	99,523
Invested Capital (last FYE)	(243)
Value of Operating Assets:	99,280
Non-Operating Adjustments	
Less: Debt Obligations	7,370
Less: Noncontrolling Interest	374
Less: Litigation	6,114
Less: ESOP	47
Less: Non-Controlling Interest	372

Value of Equity	85,002
Shares Outstanding	131
Intrinsic Value of Last FYE	\$ 650.36

Implied Price as of Today **\$ 673.05**

McKesson*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

Fiscal Years Ending March 31	2025E	2026E	2027E	2028E	2029E
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EPS	\$ 27.00	\$ 36.11	\$ 40.47	\$ 47.07	\$ 51.37
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Key Assumptions

CV growth of EPS	2.25%
CV Year ROE	49.85%
Cost of Equity	7.58%

Future Cash Flows

P/E Multiple (CV Year)					17.91
EPS (CV Year)					\$ 51.37
Future Stock Price					\$ 920
Dividends Per Share	2.75	2.96	3.14	3.34	
Discounted Cash Flows	2.56	2.56	2.52	2.50	\$ 687.13

Intrinsic Value as of Last FYE	\$ 697.26
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Implied Price as of Today	\$ 721.58
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McKesson*Relative Valuation Models*

Ticker	Company	Price	EPS	EPS	P/E	P/E
			FY1	FY2	FY1	FY2
COR	Cencora, Inc.	\$225.08	\$11.12	\$12.77	20.24	17.63
CAH	Cardinal Health, Inc.	\$110.52	\$7.63	\$8.45	14.48	13.08
HSIC	Henry Schein, Inc.	\$72.90	\$4.78	\$5.31	15.25	13.73
Average					16.66	14.81

MCK	McKesson	\$615.65	\$27.00	\$36.11	22.8	17.0
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Implied Relative Value:

P/E (EPS24)	\$ 449.78
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P/E (EPS25)	\$ 534.83
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McKesson*Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares):	0
Average Time to Maturity (years):	1.00
Expected Annual Number of Options Exercised:	0

Current Average Strike Price:	\$ 145.78
Cost of Equity:	7.58%
Current Stock Price:	\$615.65

Fiscal Years Ending March 31	2025E	2026E	2027E	2028E	2029E
Increase in Shares Outstanding:	0.1	0	0	0	0
Average Strike Price:	\$ 145.78	\$ 145.78	\$ 145.78	\$ 145.78	\$ 145.78
Increase in Common Stock Account:	15	-	-	-	-
Share Repurchases (\$)	2,273	5,000	5,000	5,000	5,000
Expected Price of Repurchased Shares:	\$ 615.65	\$ 658.75	\$ 704.86	\$ 754.20	\$ 806.99
Number of Shares Repurchased:	4	8	7	7	6
Shares Outstanding (beginning of the year)	131	127	120	112	106
Plus: Shares Issued Through ESOP	0	0	0	0	0
Less: Shares Repurchased in Treasury	4	8	7	7	6
Shares Outstanding (end of the year)	127	120	112	106	100

McKesson*Valuation of Options Granted under ESOP*

Current Stock Price	\$615.65
Risk Free Rate	4.08%
Current Dividend Yield	0.58%
Annualized St. Dev. of Stock Returns	40.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	0.1	145.78	1.00	\$ 472.14	\$ 47
Total	0.1	\$ 145.78	1.00	\$ 475.70	\$ 47

McKesson
Sensitivity Tables

Beta	DCF		ERP					
	673.05	4.25%	4.50%	4.75%	5.00%	5.25%	5.50%	5.75%
	0.55	894.13	862.03	831.83	803.36	776.50	751.09	727.03
	0.60	845.33	813.52	783.67	755.61	729.16	704.21	680.63
	0.65	800.86	769.43	739.99	712.37	686.40	661.94	638.86
	0.70	760.17	729.16	700.19	673.05	647.58	623.63	601.06
	0.75	722.79	692.26	663.77	637.14	612.18	588.74	566.68
	0.80	688.35	658.30	630.32	604.20	579.76	556.83	535.30
	0.85	656.50	626.96	599.49	573.89	549.96	527.55	506.52

CV Growth of NOPLAT	DCF		WACC					
	673.05	7.01%	7.11%	7.21%	7.31%	7.41%	7.51%	7.61%
	2.10%	705.03	687.46	670.58	654.02	638.73	623.70	609.21
	2.15%	712.16	694.26	677.09	660.24	644.70	629.41	614.70
	2.20%	719.42	701.21	683.72	666.58	650.78	635.24	620.28
	2.25%	726.85	708.29	690.49	673.05	656.97	641.17	625.97
	2.30%	734.42	715.53	697.40	679.65	663.29	647.22	631.76
	2.35%	742.17	722.91	704.45	686.38	669.73	653.39	637.67
	2.40%	750.08	730.45	711.65	693.25	676.30	659.67	643.69

CV EPS Growth	DDM		Cost of Equity					
	721.58	7.28%	7.38%	7.48%	7.58%	7.68%	7.78%	7.88%
	2.10%	753.17	736.25	719.97	704.30	689.20	674.65	660.62
	2.15%	759.62	742.42	725.87	709.95	694.62	679.85	665.61
	2.20%	766.20	748.71	731.89	715.71	700.14	685.14	670.68
	2.25%	772.91	755.12	738.02	721.58	705.76	690.53	675.85
	2.30%	779.76	761.66	744.28	727.56	711.49	696.01	681.10
	2.35%	786.74	768.33	750.65	733.66	717.32	701.60	686.45
	2.40%	793.87	775.13	757.15	739.87	723.26	707.28	691.90

Risk-Free Rate	DCF		Beta					
	673.05	0.55	0.60	0.65	0.70	0.75	0.80	0.85
	3.78%	867.72	813.52	764.77	720.69	680.63	644.07	610.57
	3.88%	845.33	793.42	746.62	704.21	665.61	630.32	597.94
	3.98%	823.90	774.13	729.16	688.35	651.12	617.04	585.72
	4.08%	803.36	755.61	712.37	673.05	637.14	604.20	573.89
	4.18%	783.67	737.81	696.21	658.30	623.63	591.78	562.43
	4.28%	764.77	720.69	680.63	644.07	610.57	579.76	551.32
	4.38%	746.62	704.21	665.61	630.32	597.94	568.11	540.56

Revenue Growth Termi	DCF		COGS % of Sales					
	673.05	95.95%	96.00%	96.05%	96.10%	96.15%	96.20%	96.25%
	3.50%	697.90	676.07	654.24	632.40	610.57	588.73	566.90
	4.50%	712.60	690.34	668.08	645.82	623.57	601.31	579.05
	5.50%	727.43	704.75	682.06	659.37	636.69	614.00	591.32
	6.50%	742.41	719.29	696.17	673.05	649.93	626.82	603.70
	7.50%	757.52	733.97	710.41	686.86	663.30	639.75	616.19
	8.50%	772.77	748.78	724.78	700.79	676.79	652.80	628.80
	9.50%	788.16	763.72	739.29	714.85	690.41	665.97	641.53

SG&A Terminal Year	DCF		COGS Terminal Year					
	673.05	95.95%	96.00%	96.05%	96.10%	96.15%	96.20%	96.25%
	2.19%	811.76	788.64	765.52	742.41	719.29	696.17	673.05
	2.24%	788.64	765.52	742.41	719.29	696.17	673.05	649.93
	2.29%	765.52	742.41	719.29	696.17	673.05	649.93	626.82
	2.34%	742.41	719.29	696.17	673.05	649.93	626.82	603.70
	2.39%	719.29	696.17	673.05	649.93	626.82	603.70	580.58
	2.44%	696.17	673.05	649.93	626.82	603.70	580.58	557.46
	2.49%	673.05	649.93	626.82	603.70	580.58	557.46	534.34