Q4 & Full Year FY2018 Financial Results

November 6, 2018

AmerisourceBergen®



Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained in this presentation are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as "expect," "likely," "outlook," "forecast," "would," "could," "should," "can," "project," "intend," "plan," "continue," "sustain," "synergy," "on track," "believe," "seek," "estimate," "anticipate," "may," "possible," "assume," variations of such words, and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and change in circumstances. These statements are not guarantees of future performance and are based on assumptions that could prove incorrect or could cause actual results to vary materially from those indicated. Among the factors that could cause actual results to differ materially from those projected, anticipated, or implied are the following: unfavorable trends in brand and generic pharmaceutical pricing, including in rate or frequency of price inflation or deflation; competition and industry consolidation of both customers and suppliers resulting in increasing pressure to reduce prices for our products and services; changes in pharmaceutical market growth rates; changes in the United States healthcare and regulatory environment, including changes that could impact prescription drug reimbursement under Medicare and Medicaid; increasing governmental regulations regarding the pharmaceutical supply channel and pharmaceutical compounding; declining reimbursement rates for pharmaceuticals; federal and state government enforcement initiatives to detect and prevent suspicious orders of controlled substances and the diversion of controlled substances; increased public concern over the abuse of opioid medications; prosecution or suit by federal, state and other governmental entities of alleged violations of laws and regulations regarding controlled substances, and any related disputes, including shareholder derivative lawsuits; increased federal scrutiny and litigation, including qui tam litigation, for alleged violations of laws and regulations governing the marketing, sale, purchase and/or dispensing of pharmaceutical products or services, and associated reserves and costs; material adverse resolution of pending legal proceedings; the retention of key customer or supplier relationships under less favorable economics or the adverse resolution of any contract or other dispute with customers or suppliers; changes to customer or supplier payment terms; risks associated with the strategic, long-term relationship between Walgreens Boots Alliance, Inc. and the Company, including principally with respect to the pharmaceutical distribution agreement and/or the global generic purchasing services arrangement; changes in tax laws or legislative initiatives that could adversely affect the Company's tax positions and/or the Company's tax liabilities or adverse resolution of challenges to the Company's tax positions; regulatory action in connection with the production, labeling or packaging of products compounded by our compounded sterile preparations (CSP) business; suspension of production of CSPs, including continued suspension at our Memphis facility; managing foreign expansion, including non-compliance with the U.S. Foreign Corrupt Practices Act, anti-bribery laws and economic sanctions and import laws and regulations; financial market volatility and disruption; substantial defaults in payment, material reduction in purchases by or the loss, bankruptcy or insolvency of a major customer; the loss, bankruptcy or insolvency of a major supplier; changes to the customer or supplier mix; malfunction, failure or breach of sophisticated information systems to operate as designed; risks generally associated with data privacy regulation and the international transfer of personal data; natural disasters or other unexpected events that affect the Company's operations; the impairment of goodwill or other intangible assets (including with respect to foreign operations), resulting in a charge to earnings; the acquisition of businesses that do not perform as expected, or that are difficult to integrate or control, including the integration of H. D. Smith and PharMEDium, or the inability to capture all of the anticipated synergies related thereto or to capture the anticipated synergies within the expected time period; the effects of disruption from the transactions on the respective businesses of the Company and H. D. Smith and the fact that the transactions may make it more difficult to establish or maintain relationships with employees, suppliers, customers and other business partners; the disruption of the Company's cash flow and ability to return value to its stockholders in accordance with its past practices; interest rate and foreign currency exchange rate fluctuations; declining economic conditions in the United States and abroad; and other economic, business, competitive, legal, tax, regulatory and/or operational factors affecting the Company's business generally. Certain additional factors that management believes could cause actual outcomes and results to differ materially from those described in forward-looking statements are set forth (i) in Item 1A (Risk Factors) in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017 and elsewhere in that report and (ii) in other reports filed by the Company pursuant to the Securities Exchange Act.

GAAP / Non-GAAP Reconciliation

In an effort to provide additional and useful information regarding AmerisourceBergen's financial results and other financial information as determined by generally accepted accounting principles (GAAP), certain materials presented during this event include non-GAAP information. A reconciliation of that information to GAAP and other related information is available in the supplemental material attached as an appendix to this presentation and posted on our website, investor.amerisourcebergen.com.

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AmerisourceBergen is creating healthier futures

Driving innovative partnerships with global manufacturers, providers and pharmacies to improve product access and efficiency throughout the healthcare supply chain

Q4 and Full Year FY2018 Financial Results: Overview

AmerisourceBergen continues to execute and deliver in a dynamic environment

- Strong year-over-year revenue and EPS growth
- Deepened and expanded customer relationships
- Continued to lead the market in Specialty distribution and services
- Delivered strong performance and growth at World Courier

Investing to deliver an integrated best-in-class customer experience

- ABC Order expanded and launched to support Health Systems customers
- Key IT implementations enhance customer offerings—Fusion, NOVA, MWI E-commerce, AI-powered eBV solution

PharMEDium

- Memphis facility remains closed
- The Company is actively communicating with the FDA regarding its remedial actions

Q4 FY2018 Financial Results

	GAAP	Adjusted (Non-GAAP)[1]
Revenue *% Change (Year-over-Year)*	$43.3B 10.7%	$43.3B 10.7%
Gross Profit *% Change*	$1.0B (11.9)%	$1.2B 6.2%
Operating Expenses *% Change*	$879M (32.8)%	$732M 17.0%
Operating Income *% Change*	$154M 214.1%	$432M (8.2)%
Interest Expense, Net *% Change*	$43M 21.9%	$43M 21.9%
Tax Rate	(73.4)%	19.6%
Diluted Shares Outstanding *% Change*	217M (0.5)%	217M (1.7)%
Diluted Earnings Per Share *% Change*	$1.07 167.7%	$1.45 9.0%

[1] See tables at end of presentation for GAAP to non-GAAP reconciliations

Note: For more information related to non-GAAP financial measures, refer to the section titled “Supplemental Information Regarding Non-GAAP Financial Measures” of the Company’s most recent Current Report on Form 8-K furnished under Item 2.02.

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Full Year FY2018 Financial Results

	GAAP	Adjusted (Non-GAAP)[1]
Revenue *% Change (Year-over-Year)*	$167.9B 9.7%	$167.9B 9.7%
Gross Profit *% Change*	$4.6B 1.5%	$4.7B 7.8%
Operating Expenses *% Change*	$3.2B (9.1)%	$2.7B 15.9%
Operating Income *% Change*	$1.4B 36.2%	$2.0B (1.8)%
Interest Expense, Net *% Change*	$175M 20.3%	$175M 24.9%
Tax Rate	(37.2)%	21.3%
Diluted Shares Outstanding *% Change*	220M (0.6)%	220M (0.6)%
Diluted Earnings Per Share *% Change*	$7.53 359.1%	$6.49 10.4%

[1] See tables at end of presentation for GAAP to non-GAAP reconciliations

Note: For more information related to non-GAAP financial measures, refer to the section titled “Supplemental Information Regarding Non-GAAP Financial Measures” of the Company’s most recent Current Report on Form 8-K furnished under Item 2.02.

Q4 FY2018 Financial Results: Pharmaceutical Distribution Services Segment

	Q4 FY2018	Q4 FY2017
Revenue	**$41.7B**	**$37.7B**
Operating Income	**$356.8M**	**$399.7M**
Percentages of Revenue		
Gross Profit	**2.06%**	**2.14%**
Operating Expenses	**1.21%**	**1.07%**
Operating Income	**0.86%**	**1.06%**

- Large anchor customers continue to grow
- Strong Specialty revenue growth >10%
  - 19th consecutive quarter of 10% or greater revenue growth; driven by strong performance and increased volumes, especially in oncology
- H. D. Smith acquisition supported revenue growth
- Operating income down primarily due to lower sales at PharMEDium

Q4 FY2018 Financial Results:
Other Businesses – Global Commercialization Services & Animal Health

	Q4 FY2018	Q4 FY2017
Revenue	**$1.6B**	**$1.5B**
Operating Income	**$75.5M**	**$71.7M**
Percentages of Revenue		
Gross Profit	**19.02%**	**19.82%**
Operating Expenses	**14.29%**	**14.97%**
Operating Income	**4.73%**	**4.85%**

- Other includes World Courier, AmerisourceBergen Consulting Services and MWI
- Strong growth trends across all three business units
  - ABCS: strong performance from Xcenda
  - MWI: 20%+ YOY Operating Income growth
  - World Courier: 10%+ YOY revenue growth and increased number of shipments in the quarter

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How AmerisourceBergen Will Continue to Drive Value

Customer Base
- *Key anchor customers*
- *Fast growing*
- *U.S. Pharmaceutical focus*



Innovative Services & Solutions
- *Customer-focused offerings serving manufacturers and provider customers*



Leadership in Specialty Distribution & Services
- *History of investment*
- *Largest footprint*
- *Comprehensive offering*



Successful Financial Stewardship
- *Strong Free Cash Flow*
- *Strategic capital allocation*
- *Proven track record of value creation*



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FY19 Financial Guidance

Expectations on an Adjusted (Non-GAAP) Basis [1]	
Revenue	Mid-single digit percent growth
Diluted Earnings Per Share	$6.65 to $6.95
Operating Expense	Mid-single digit percent growth
Operating Income	Low-single to mid-single digit percent growth
Pharmaceutical Distribution Services Operating Income	Low-single to mid-single digit percent growth
Global Commercialization Services & Animal Health Operating Income	High-single digit percent growth
Effective Tax Rate	21% to 22%
Diluted weighted shares outstanding	~216M
Free Cash Flow	$1.4B to $1.6B
Capital Expenditures	~$300M

(1) FY19 Guidance includes consolidation of Brazil

The Company does not provide forward-looking guidance on a GAAP basis as certain information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated. Please refer to the exhibit to the Company's most recent Current Report on Form 8-K furnished under Item 2.02 for more information.

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Appendix

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Appendix

AMERISOURCEBERGEN CORPORATION
GAAP TO NON-GAAP RECONCILIATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30, 2018							
	Gross Profit	Operating Expenses	Operating Income	Income Before Income Taxes	Income Tax (Benefit) Expense	Net Loss Attributable to Noncontrolling Interest	Net Income Attributable to ABC	Diluted Earnings Per Share
GAAP	$ 1,032,641	$ 878,544	$ 154,097	$ 111,870	$ (82,134)	$ 39,284	$ 233,288	$ 1.07
Gain from antitrust litigation settlements	—	—	—	—	(225)	—	225	—
LIFO expense	83,466	—	83,466	83,466	23,124	—	60,342	0.28
PharMEDium remediation costs	26,580	(1,617)	28,197	28,197	8,083	—	20,114	0.09
New York State Opioid Stewardship Act	22,000	—	22,000	22,000	6,122	—	15,878	0.07
Goodwill impairment charge	—	(59,684)	59,684	59,684	—	(36,945)	22,739	0.10
Acquisition-related intangibles amortization	—	(44,484)	44,484	44,484	13,191	(775)	30,518	0.14
Employee severance, litigation, and other	—	(40,497)	40,497	40,497	83,317 [1]	—	(42,820)	(0.20)
Loss on early retirement of debt	—	—	—	—	148	—	(148)	—
Tax reform [2]	—	—	—	—	25,000	—	(25,000)	(0.11)
Adjusted Non-GAAP	1,164,687	732,262	432,425	390,198	76,626	1,564	315,136	1.45 [3]
Less non-wholly owned subsidiaries	51,991	47,130	4,861	(1,926)	—	1,564	(363)	—
Adjusted Non-GAAP excluding non-wholly owned subsidiaries	$ 1,112,696	$ 685,132	$ 427,564	$ 392,124	$ 76,626	$ —	$ 315,499	$ 1.45
Adjusted Non-GAAP % change vs. prior year quarter	6.2%	17.0%	(8.2)%	(10.2)%	(45.8)%		7.4%	9.0%
Adjusted Non-GAAP, excluding non-wholly owned subsidiaries, % change vs. prior year quarter	1.4%	9.4%	(9.2)%	(9.8)%	(45.8)%		7.5%	9.0%

[1] During the fourth quarter of fiscal 2018, we determined that a significant portion of a fiscal 2017 legal settlement charge would be tax deductible.

[2] Includes a measurement period adjustment of the one-time transition tax on historical foreign earnings and profits through December 31, 2017.

[3] The sum of the components does not equal the total due to rounding.

Note: For more information related to non-GAAP financial measures, refer to the section titled “Supplemental Information Regarding Non-GAAP Financial Measures” of the Company’s most recent Current Report on Form 8-K furnished under Item 2.02.

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(unaudited)

	Three Months Ended September 30, 2017							
	Gross Profit	Operating Expenses	Operating (Loss) Income	Interest Expense, Net	(Loss) Income Before Income Taxes	Income Tax Expense	Net (Loss) Income	Diluted Earnings Per Share
GAAP	$ 1,172,020	$ 1,307,022	$ (135,002)	$ 35,311	$ (171,541)	$ 173,046	$ (344,587)	$ (1.58)
Warrants expense [1]	—	—	—	—	—	132	(132)	—
Gain from antitrust litigation settlements	—	—	—	—	—	(35)	35	—
LIFO credit	(74,863)	—	(74,863)	—	(74,863)	(28,926)	(45,937)	(0.21)
Acquisition-related intangibles amortization	—	(39,144)	39,144	—	39,237	16,984	22,253	0.10
Employee severance, litigation, and other [2]	—	(641,810)	641,810	—	641,810	(19,942)	661,752	3.01
Adjusted Non-GAAP	$ 1,097,157	$ 626,068	$ 471,089	$ 35,311	$ 434,643	$ 141,259	$ 293,384	$ 1.33 [3]

[1] In connection with the fiscal 2014 special $650 million share repurchase program, which was established to mitigate the dilutive effect of the Warrants, the Company issued $600 million of 1.15% senior notes that were repaid in May 2017. The interest expense incurred relating to this borrowing has been excluded from the non-GAAP presentation.

[2] Includes a $625.0 million litigation accrual with no corresponding tax benefit.

[3] The sum of the components does not equal the total due to rounding.

Note: For more information related to non-GAAP financial measures, refer to the section titled “Supplemental Information Regarding Non-GAAP Financial Measures” of the Company’s most recent Current Report on Form 8-K furnished under Item 2.02.

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GAAP TO NON-GAAP RECONCILIATIONS
(in thousands, except per share data)
(unaudited)

	Fiscal Year Ended September 30, 2018							
	Gross Profit	Operating Expenses	Operating Income	Income Before Income Taxes	Income Tax (Benefit) Expense	Net Loss Attributable to Noncontrolling Interest	Net Income Attributable to ABC	Diluted Earnings Per Share
GAAP	$ 4,612,317	$ 3,168,632	$ 1,443,685	$ 1,177,423	$ (438,469)	$ 42,513	$ 1,658,405	$ 7.53
Gain from antitrust litigation settlements	(35,938)	—	(35,938)	(35,938)	(10,000)	—	(25,938)	(0.12)
LIFO expense	67,324	—	67,324	67,324	18,733	—	48,591	0.22
PharMEDium remediation costs	61,129	(5,075)	66,204	66,204	18,421	—	47,783	0.22
New York State Opioid Stewardship Act	22,000	—	22,000	22,000	6,122	—	15,878	0.07
Goodwill impairment charge	—	(59,684)	59,684	59,684	—	(36,945)	22,739	0.10
Acquisition-related intangibles amortization	—	(174,751)	174,751	174,876	48,660	(1,846)	124,370	0.56
Employee severance, litigation, and other	—	(183,520)	183,520	183,520	122,222 [1]	—	61,298	0.28
Loss on consolidation of equity investments	—	—	—	42,328	—	—	42,328	0.19
Impairment of non-customer note receivable	—	—	—	30,000	—	—	30,000	0.14
Loss on early retirement of debt	—	—	—	23,766	6,613	—	17,153	0.08
Tax reform [2]	—	—	—	—	612,595	—	(612,595)	(2.78)
Adjusted Non-GAAP	4,726,832	2,745,602	1,981,230	1,811,187	384,897	3,722	1,430,012	6.49
Less non-wholly owned subsidiaries	149,832	140,668	9,164	(4,680)	—	3,722	(958)	—
Adjusted Non-GAAP excluding non-wholly owned subsidiaries	$ 4,577,000	$ 2,604,934	$ 1,972,066	$ 1,815,867	$ 384,897	$ —	$ 1,430,970	$ 6.49
Adjusted Non-GAAP % change vs. prior year	7.8%	15.9%	(1.8)%	(3.7)%	(33.2)%		9.7%	10.4%
Adjusted Non-GAAP, excluding non-wholly owned subsidiaries, % change vs. prior year	4.3%	9.9%	(2.2)%	(3.4)%	(33.2)%		9.8%	10.4%

[1] During the fourth quarter of fiscal 2018, we determined that a significant portion of a fiscal 2017 legal settlement charge would be tax deductible.

[2] Includes the impact of applying a lower U.S. federal income tax rate to the Company's net deferred tax liabilities as of December 31, 2017, offset in part by a one-time transition tax on historical foreign earning and profits through December 31, 2017.

Note: For more information related to non-GAAP financial measures, refer to the section titled “Supplemental Information Regarding Non-GAAP Financial Measures” of the Company’s most recent Current Report on Form 8-K furnished under Item 2.02.

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GAAP TO NON-GAAP RECONCILIATIONS
(in thousands, except per share data)
(unaudited)

	Fiscal Year Ended September 30, 2017							
	Gross Profit	Operating Expenses	Operating Income	Interest Expense, Net	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings Per Share
GAAP	$ 4,546,002	$ 3,485,660	$ 1,060,342	$ 145,185	$ 917,887	$ 553,403	$ 364,484	$ 1.64
Warrants expense [1]	—	—	—	(5,358)	5,358	1,924	3,434	0.02
Gain from antitrust litigation settlements	(1,395)	—	(1,395)	—	(1,395)	(501)	(894)	—
LIFO credit	(157,782)	—	(157,782)	—	(157,782)	(56,661)	(101,121)	(0.46)
Acquisition-related intangibles amortization	—	(156,378)	156,378	—	156,752	56,291	100,461	0.45
Employee severance, litigation, and other [2]	—	(959,327)	959,327	—	959,327	21,934	937,393	4.23
Adjusted Non-GAAP	$ 4,386,825	$ 2,369,955	$ 2,016,870	$ 139,827	$ 1,880,147	$ 576,390	$ 1,303,757	$ 5.88

[1] In connection with the fiscal 2014 special $650 million share repurchase program, which was established to mitigate the dilutive effect of the Warrants, the Company issued $600 million of 1.15% senior notes that were repaid in May 2017. The interest expense incurred relating to this borrowing has been excluded from the non-GAAP presentation.

[2] Includes $914.4 million for litigation settlements and accruals with no corresponding income tax benefit.

Note: For more information related to non-GAAP financial measures, refer to the section titled “Supplemental Information Regarding Non-GAAP Financial Measures” of the Company’s most recent Current Report on Form 8-K furnished under Item 2.02.

Appendix

AMERISOURCEBERGEN CORPORATION
RECONCILIATION OF DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (GAAP TO NON-GAAP)
(in thousands)
(unaudited)

	Three Months Ended September 30,		Fiscal Year Ended September 30,	
	2018	2017	2018	2017
Basic shares outstanding	215,430	218,501	217,872	218,375
Stock option, restricted stock, and restricted stock unit dilution	2,062	—	2,464	3,227
GAAP diluted shares outstanding	217,492	218,501	220,336	221,602
Stock option, restricted stock, and restricted stock unit dilution [1]	—	2,822	—	—
Non-GAAP diluted shares outstanding	217,492	221,323	220,336	221,602

[1] For the non-GAAP presentation, diluted weighted average common shares outstanding have been adjusted to include the impact of the stock options, restricted stock, and restricted stock units that were anti-dilutive for the GAAP presentation.

Note: For more information related to non-GAAP financial measures, refer to the section titled “Supplemental Information Regarding Non-GAAP Financial Measures” of the Company’s most recent Current Report on Form 8-K furnished under Item 2.02.

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reach and partnership
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