AmerisourceBergen

# 34th Annual J.P. Morgan Healthcare Conference

Steve Collis, President & CEO

Tim Guttman, EVP & CFO

January 12, 2016

# Steve Collis

## President & CEO

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,” “will,” “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: competition; 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; price inflation in branded and generic pharmaceuticals, and price deflation in generics; declining economic conditions in the United States and abroad; 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; 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; interest rate and foreign currency exchange rate fluctuations; the disruption of AmerisourceBergen's cash flow and ability to return value to its stockholders in accordance with its past practices; risks associated with the strategic, long-term relationship between Walgreen Boots Alliance, Inc. and AmerisourceBergen, including with respect to the pharmaceutical distribution agreement and/or the global sourcing arrangement; risks associated with the potential impact on AmerisourceBergen's earnings per share resulting from the issuance of the warrants to subsidiaries of Walgreen Boots Alliance, Inc. (the “Warrants”); AmerisourceBergen's inability to fully implement its hedging strategy to mitigate the potentially dilutive effect of the issuance of its common stock in accordance with the Warrants under its special share repurchase program due to its financial performance, the current and future share price of its common stock, its expected cash flows, competing priorities for capital, and overall market conditions; changes in the United States healthcare and regulatory environment; increasing governmental regulations regarding the pharmaceutical supply channel and pharmaceutical compounding; federal and state government enforcement initiatives to detect and prevent suspicious orders of controlled substances and the diversion of controlled substances; federal and state prosecution of alleged violations of related laws and regulations, and any related litigation, including shareholder derivative lawsuits or other disputes relating to our distribution of controlled substances; increased federal scrutiny and qui tam litigation for alleged violations of fraud and abuse laws and regulations and/or any other laws and regulations governing the marketing, sale, purchase and/or dispensing of pharmaceutical products or services and any related litigation; material adverse resolution of pending legal proceedings; declining reimbursement rates for pharmaceuticals; the acquisition of businesses that do not perform as expected, or that are difficult to integrate or control, including the integration of MWI and PharMEDium, or the inability to capture all of the anticipated synergies related thereto; 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; 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; changes in tax laws or legislative initiatives that could adversely affect AmerisourceBergen's tax positions and/or AmerisourceBergen's tax liabilities or adverse resolution of challenges to AmerisourceBergen's tax positions; natural disasters or other unexpected events that affect AmerisourceBergen's operations; the impairment of goodwill or other intangible assets, resulting in a charge to earnings; errors in the production, labeling or packaging of products compounded by our compounded sterile preparations (CSP) business; and other economic, business, competitive, legal, tax, regulatory and/or operational factors affecting AmerisourceBergen'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 elsewhere in Item 1A (Risk Factors) and Item 1 (Business) in AmerisourceBergen’s Annual Report on Form 10-K for the fiscal year ended September 30, 2015 and elsewhere in that report and (ii) in other reports filed or furnished with the Securities and Exchange Commission (SEC). You are cautioned not to place any undue reliance on any such forward-looking statements. AmerisourceBergen’s SEC reports are available at www.amerisourcebergen.com under the “Investors” tab. Except to the extent required by law, AmerisourceBergen undertakes no obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

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. The rationale for management’s use of 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 to www.amerisourcebergen.com under the “Investors” tab.



AmerisourceBergen®

Who is AmerisourceBergen?

# A Leader in Global Healthcare Services

$135 Billion in annual revenue

18,000 associates

Daily deliveries to 50,000 healthcare facilities

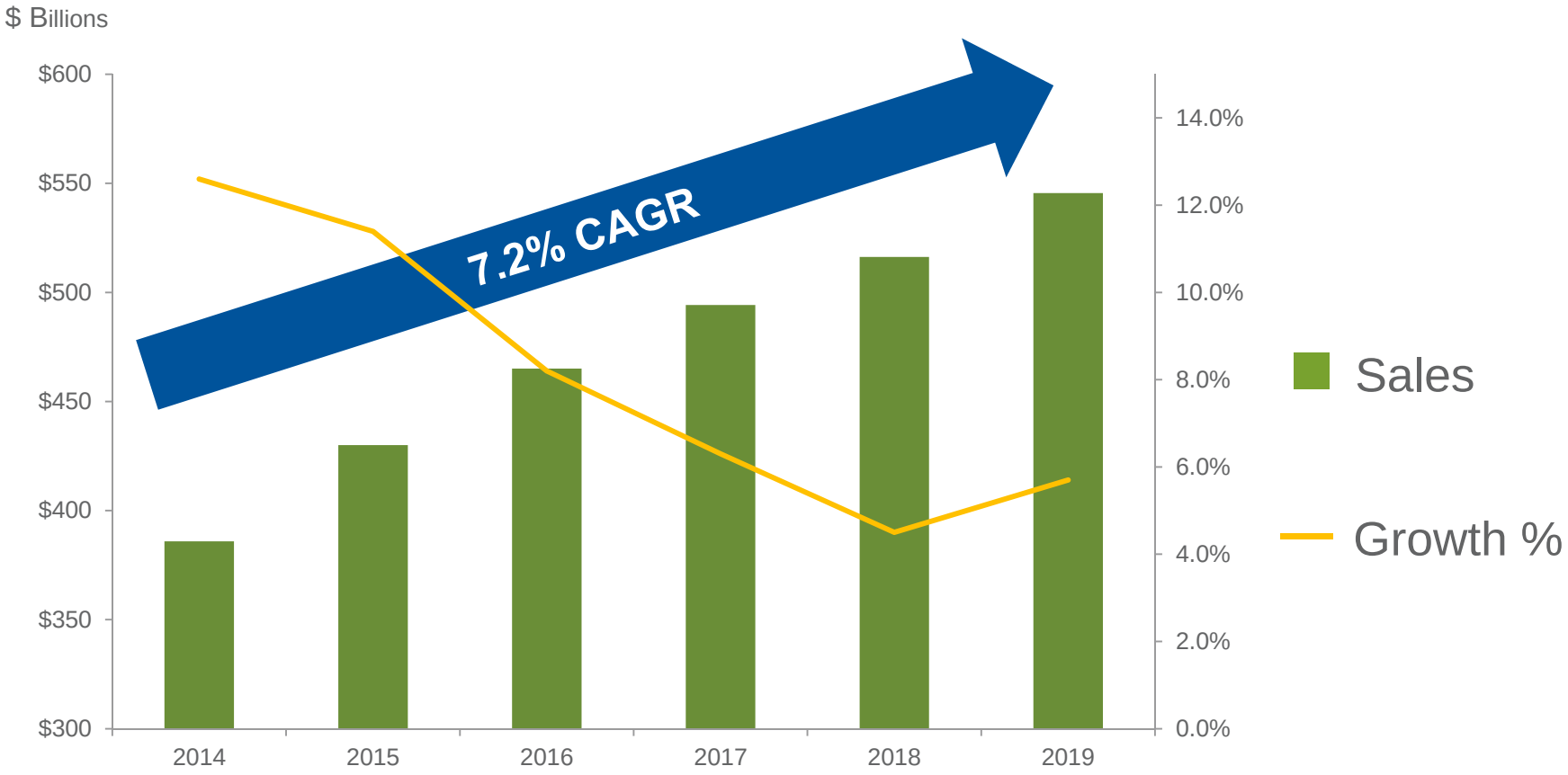


Over 140 locations across more than 50 countries worldwide



AmerisourceBergen

# US Pharmaceutical Market




## STRONG ORGANIC US INDUSTRY GROWTH



Source: IMS Health 2015

AmerisourceBergen®

# Strong US Pharmaceutical Market

## Growth Drivers

- Demographics ✓
- Expansion of coverage ✓
- New brand drug launches ✓
- Focus on value ✓

**ADHERENCE IMPROVES PATIENT OUTCOMES**



AmerisourceBergen®

# Strategic Vision

***COLLABORATE*** *with Pharmaceutical Manufacturers and Healthcare Providers to* ***EFFICIENTLY*** *Bring Drugs to Market and* ***IMPROVE PATIENT ACCESS***





AmerisourceBergen®

# Well Positioned to Seize Opportunities

## AmerisourceBergen Drug Corporation

| Core Business | Prime Vendor Model | Strong Cash Generation |
|---|---|---|
| Driven by solid organic growth<br><br>FY2015 revenue of $113.5 Billion* in US | Diverse customer base<br><br>Tens of thousands of daily deliveries | Operationally and capital efficient |

**OPERATIONAL EXCELLENCE DRIVES VALUE FOR ALL CUSTOMERS**



*Before intra-segment eliminations

AmerisourceBergen®

# Investing in Our Core Business

## PharMEDium

| Value-Added Partner to Hospitals | High Quality | Opportunity |
|---|---|---|
| Operating efficiency in a cost-conscious environment | Sterile-to-sterile CSPs in a ready to use form | Increase ABC penetration with existing customers |
| Minimize waste | Compound FDA-approved or allowable drugs in finished dosage form | Expanding attractive market |
| Enhance patient safety | Registered 503B facilities | Diverse customer base |

**UNDISPUTED MARKET LEADER**



AmerisourceBergen®

# Investing in Our Core Business

## $5.5B Addressable Market

PharMEDium®






## REGULATORY CHANGES DRIVING CONTINUED FLIGHT TO QUALITY



AmerisourceBergen®

# Well Positioned to Seize Opportunities

## AmerisourceBergen Specialty Group

| Market Leader | Differentiated Services | Drives Patient Access |
|---|---|---|
| FY2015 revenue of $24.4 Billion*<br><br>Grows faster than the overall market | Unique portfolio of businesses<br><br>Extensive footprint in physician-administered products | Collaborates with biotech manufacturers and specialty physicians |

## DECADES OF INNOVATION AND INVESTMENT

*Before intra-segment eliminations



AmerisourceBergen®

# Well Positioned to Seize Opportunities

## Global Manufacturer Services

| World Courier | Consulting Services |
| --- | --- |
| Premier clinical trial logistics provider | Drives patient access & adherence |
| World class white-glove service | Enhances regulatory and compliance efforts |

**EXPERTISE SUPPORTS ENTIRE PRODUCT LIFE CYCLE**



AmerisourceBergen®

# Well Positioned to Seize Opportunities

## MWI Veterinary Supply

| Animal Health Market | Platform for Future Growth |
| --- | --- |
| $23 billion global market | Stellar reputation with customers |
| Cash market for services | Serves companion and production animal markets |
| Fragmented marketplace | Demand creating salesforce |

**PREMIER ANIMAL HEALTH SERVICE PROVIDER**



AmerisourceBergen®

# How Will We Continue to Drive Performance?

## Knowledge, Reach and Partnership

- Unsurpassed expertise in pharmaceutical distribution, commercialization, and consulting
- Global reach in sourcing, distribution, and manufacturer services
- Innovative collaboration with manufacturers and providers improves efficiency and product access

**INCREASE THE EFFICIENCY AND EFFECTIVENESS OF THE GLOBAL SUPPLY CHAIN IN BOTH HUMAN AND ANIMAL HEALTH**



AmerisourceBergen®

# Financial Review

## Tim Guttman
## EVP & CFO



AmerisourceBergen®

# Revenue & Adjusted Operating Income

## Revenue
(billions)




## Adjusted Operating Income
(billions)

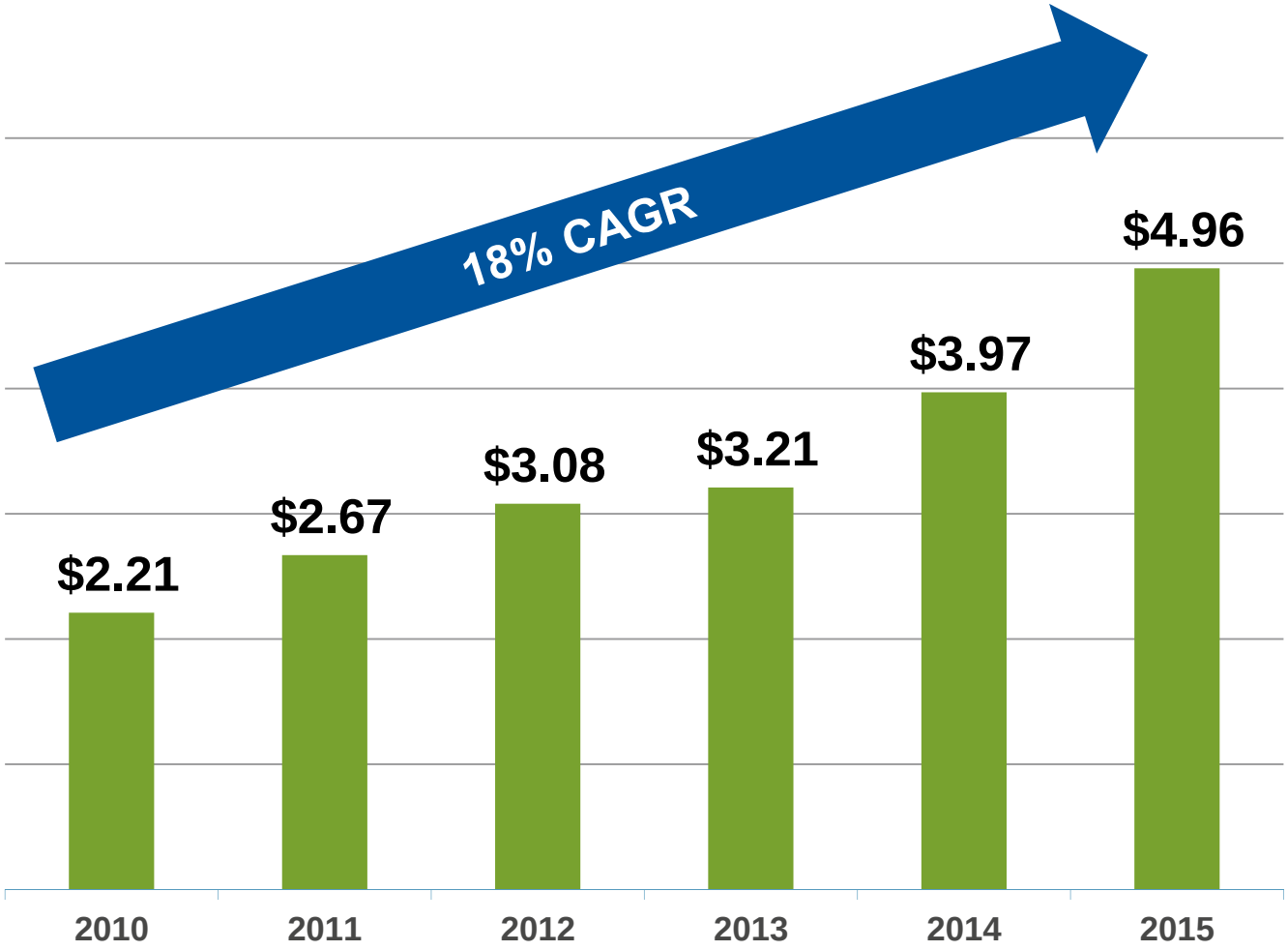





See tables at end of presentation for GAAP to non-GAAP reconciliation

AmerisourceBergen®

# Adjusted Diluted EPS






See table at end of presentation for GAAP to non-GAAP reconciliation

AmerisourceBergen

# Cash Flow Generation

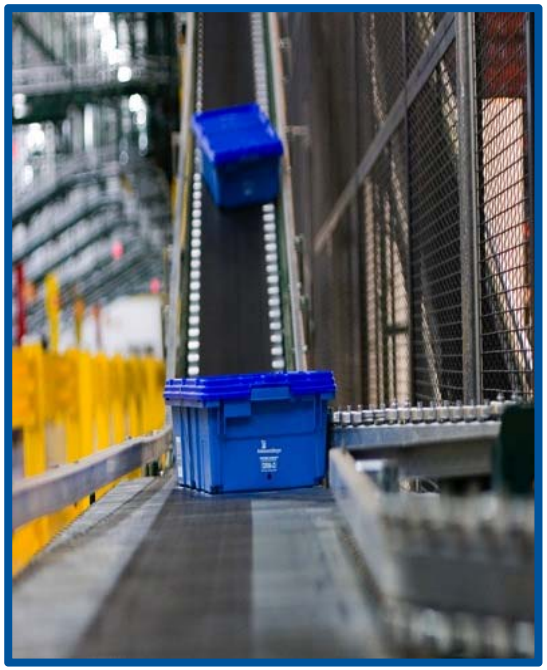
## Key Drivers

Manage customer credit

Efficient inventory turns

Grow generic volumes

Align management incentives

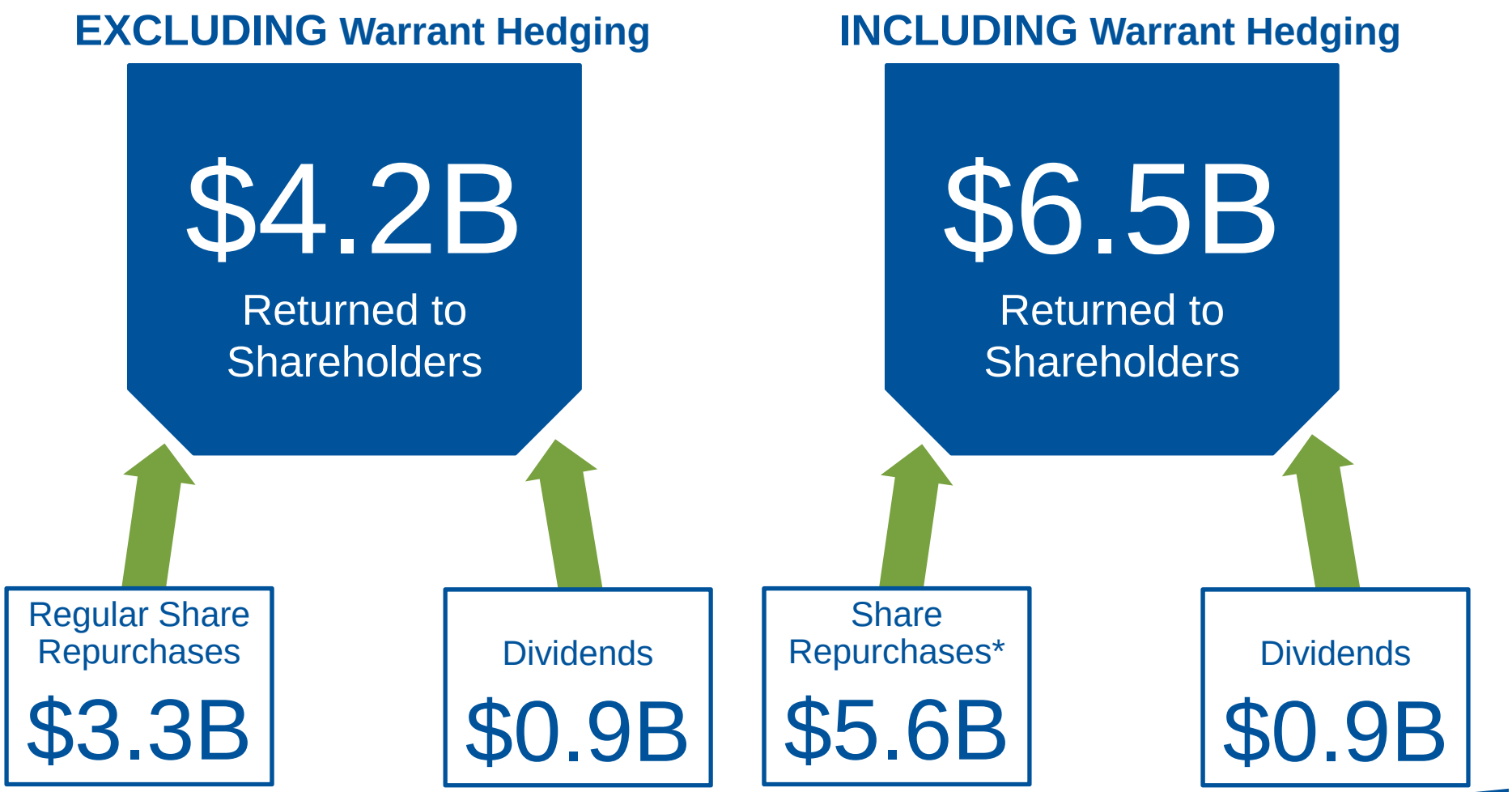


**LEGACY OF DELIVERING FREE CASH FLOW ABOVE NET INCOME**



AmerisourceBergen®

# Capital Deployment Over Last Five Fiscal Years

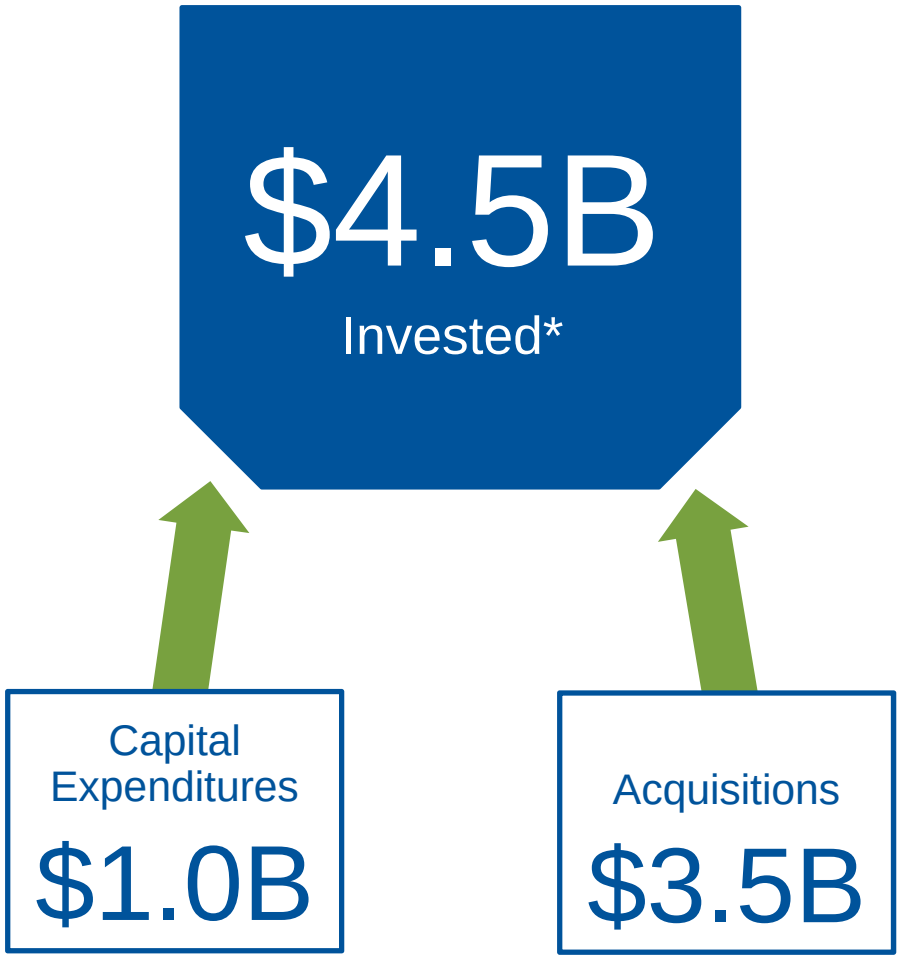



*Share repurchases includes cost of warrant hedging strategy.



AmerisourceBergen

# Capital Deployment Over Last Five Fiscal Years




TheraCom® AmerisourceBergen

World Courier® AmerisourceBergen

MWI® Animal Health AmerisourceBergen

*Does not include PharMEDium acquisition completed FQ1 2016.

Acquisitions are net of cash acquired.



AmerisourceBergen®

# Who is AmerisourceBergen?

## A Leader in Global Healthcare Services

Good industry

Great company

Legacy of excellent performance

Demonstrated financial stewardship

Outstanding shareholder value creation





AmerisourceBergen

AmerisourceBergen.

Where knowledge,
reach and partnership
shape healthcare delivery.



AmerisourceBergen®

# Adjusted Operating Income
# Fiscal Years Ended September 30, 2010 through September 30, 2015
# ($ millions)

| | FY 2015 | FY 2014 | FY 2013 | FY 2012 | FY 2011 | FY 2010 |
|---|---|---|---|---|---|---|
| GAAP Operating Income | $ 417 | $ 779 | $ 898 | $ 1,304 | $ 1,190 | $ 1,087 |
| Anti-Trust Litigation | (66) | (24) | (23) | (15) | (2) | (21) |
| Warrants | 913 | 423 | 90 | - | - | - |
| Deal Amortization | 54 | 23 | 24 | 18 | 10 | 10 |
| LIFO | 543 | 348 | 277 | 1 | 35 | 30 |
| Special Charges | 38 | 8 | 24 | 44 | 23 | (4) |
| **Adjusted Operating Income** | **$ 1,899** | **$ 1,557** | **$ 1,290** | **$ 1,352** | **$ 1,256** | **$ 1,102** |

*Note: Management considers GAAP financial measures as well as the presented non-GAAP financial measures in evaluating the Company's operating performance. Therefore, the Company believes that the presentation of non-GAAP financial measures provides useful supplementary information to, and facilitates additional analysis by, investors.



AmerisourceBergen®

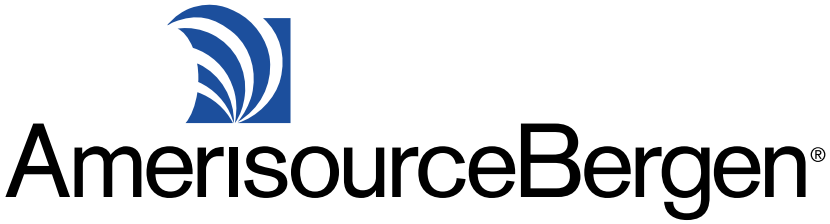
# Adjusted Diluted EPS from Continuing Operations
# Fiscal Years Ended September 30, 2010 through September 30, 2015

| | FY 2015 | FY 2014 | FY 2013 | FY 2012 | FY 2011 | FY 2010 |
|---|---|---|---|---|---|---|
| EPS from Continuing Operations | $ (0.62) | $ 1.21 | $ 2.10 | $ 2.96 | $ 2.51 | $ 2.18 |
| Anti-Trust Litigation | (0.18) | (0.06) | (0.06) | (0.04) | - | (0.04) |
| Warrants [(1)] | 3.91 | 1.73 | 0.32 | - | - | - |
| Deal Amortization | 0.15 | 0.06 | 0.06 | 0.04 | 0.02 | 0.02 |
| LIFO | 1.46 | 0.92 | 0.72 | - | 0.08 | 0.07 |
| Special Charges | 0.10 | 0.02 | 0.06 | 0.11 | 0.06 | (0.01) |
| Loss on Early Retirement of Debt | - | 0.09 | - | - | - | - |
| Impairment Charge on Equity Investment | 0.13 | - | - | - | - | - |
| Rounding | 0.01 | - | 0.01 | 0.01 | - | (0.01) |
| **Adjusted EPS from Continuing Operations** | **$ 4.96** | **$ 3.97** | **$ 3.21** | **$ 3.08** | **$ 2.67** | **$ 2.21** |

[(1)] For the reconciling items and the non-GAAP presentation, diluted earnings per share from continuing operations and diluted shares outstanding have been adjusted to exclude the impact from the Warrants and the shares repurchased under special share repurchase programs. In connection with the special share repurchase program, the Company issued $600 million of 1.15% senior notes due in May 2017. The interest expense incurred relating to this borrowing has been excluded from the non-GAAP presentation.



AmerisourceBergen®




Where knowledge,
reach and partnership
shape healthcare delivery.