

Q2 FY2018 Financial Results

May 2, 2018



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, including the reserve recorded in connection with the proceedings with the United States Attorney’s Office for the Eastern District of New York; 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 at our Memphis 503B outsourcing facility; failure to realize the expected benefits from our reorganization and other business process initiatives; 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; 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; 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; 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 to investor.amerisourcebergen.com.



AmerisourceBergen is creating healthier futures

- Shaping healthcare delivery through knowledge, reach and partnership
- Providing industry leading services and solutions that improve product access, increase supply chain efficiency and enhance patient care

Q2 FY2018 Financial Results: Overview

- AmerisourceBergen is driving **execution** in an evolving healthcare market
 - Continued revenue and EPS growth
 - Anchor customers growing faster than overall market
 - Strong out-performance in our core pharmaceutical distribution business
 - Expanding leadership and ongoing innovation in Specialty services and distribution
 - Robust growth at World Courier
 - Managing challenges at PharMEDium and Lash Group
- **Stable pricing and competitive market**
 - Generic deflation and Brand inflation continue to be in line with FY2018 expectations
 - No major contract renewals in FY2018
 - Customer contract rebalancing efforts progressing smoothly
- Business positioned for **long-term growth**

Q2 FY2018 Financial Results

	GAAP	Adjusted (Non-GAAP) ¹
Revenue <i>% Change (Year-over-Year)</i>	\$41.0B 10%	\$41.0B 10%
Gross Profit <i>% Change</i>	\$1.3B -%	\$1.3B 9%
Operating Expenses <i>% Change</i>	\$774M 23%	\$692M 19%
Operating Income <i>% Change</i>	\$481M (23)%	\$586M -%
Interest Expense, Net <i>% Change</i>	\$49M 30%	\$49M 38%
Tax Rate	21.9%	20.7%
Diluted Shares Outstanding <i>% Change</i>	222M -%	222M -%
Diluted Earnings Per Share <i>% Change</i>	\$1.29 (31)%	\$1.94 10%

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.

Q2 FY2018 Financial Results: Pharmaceutical Distribution Services Segment

	Q2 FY2018	Q2 FY2017
Revenue	\$39.5B	\$35.7B
Operating Income	\$489M	\$485M
<i>Percentages of Revenue</i>		
Gross Profit	2.41%	2.42%
Operating Expenses	1.17%	1.07%
Operating Income	1.24%	1.36%

- Execution driving continued out-performance in the core distribution business
 - Strong growth from large anchor customers – continue to outpace the overall U.S. pharmaceutical market
 - Seamlessly completed onboarding of >1,900 Rite Aid stores acquired by Walgreens
- Generic volume growth continues – increased compliance from existing customers
- Specialty distribution revenue grew >10%
 - 17th consecutive quarter of 10% or greater revenue growth; driven by strong performance and increased volumes, especially in oncology, ophthalmology and MS
- Strong customer retention and contribution from H. D. Smith business acquired in January 2018

Q2 FY2018 Financial Results: Other Businesses – Global Commercialization Services & Animal Health

	Q2 FY2018	Q2 FY2017
Revenue	\$1.6B	\$1.4B
Operating Income	\$97M	\$104M
<i>Percentages of Revenue</i>		
Gross Profit	20.48%	21.49%
Operating Expenses	14.39%	14.17%
Operating Income	6.09%	7.32%

- World Courier – another quarter of strong execution and better than anticipated performance
 - Driven by solid year-over-year growth in both shipments and billable weight
- MWI – revenue growth driven by U.S. companion animal market
- Consulting – continued market leadership
 - Lash Group: slower than anticipated onboarding of new and existing customers to Fusion technology platform; impacting new business development pipeline

How AmerisourceBergen Will Drive Value

Leverage Scale

- *Go-to-market strategy*
- *Integrated approach*
- *Seamless customer experience*



Enhance Access

- *Specialty leadership*
- *Grow customer share of wallet*
- *Deepen manufacturer relationships*
- *Build across human & animal health*



Drive Performance & Execute

- *Increased efficiency & effectiveness*
- *IT investments & innovation*
- *Culture & AmerisourceBergen team*



Expand Advantage

- *Invest in the business*
- *Strategic customer partnerships*
- *Strategic M&A*



FY2018 Financial Guidance¹

<i>Expectations on an <u>Adjusted (Non-GAAP)</u> Basis*</i>	
Revenue Growth	8% to 11%
Diluted Earnings Per Share	\$6.45 to \$6.65
Operating Expense Growth**	8% to 10%
Operating Income Growth	Flat
Effective Tax Rate	22% to 23%
Free Cash Flow	\$1.35B to \$1.6B
Capital Expenditures	~\$325M
<u>Working Assumptions</u>	
Brand Drug Inflation	6% to 7%
Generic Drug Deflation	-7% to -9%
Contributions from New Generic Launches	Flat to FY2017
Biosimilars	No significant contribution

¹ For FY18, FCF is net cash provided by operating activities, excluding other significant unpredictable or non-recurring cash payments or receipts relating to legal settlements, minus capital expenditures. The other non-GAAP guidance excludes similar items as are excluded from historical non-GAAP measures, as well as significant items that are outside the Company's control or inherently unusual, non-operating, unpredictable, non-recurring or non-cash. 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 Company's most recent Current Report on Form 8-K furnished under Item 2.02 for more information.

*Consistent with previous guidance, Consolidated Brazil is excluded from expectations.

**Higher operating expense growth expectation reflects the current assumption that PharMEDium remediation costs should be excluded from cost of goods sold instead of operating expenses.

Appendix

Appendix

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

Three Months Ended March 31, 2018

	Gross Profit	Operating Expenses	Operating Income	Income Before Income Taxes	Income Tax Expense	Net Income Attributable to ABC	Diluted Earnings Per Share
GAAP	\$ 1,255,683	\$ 774,263	\$ 481,420	\$ 361,332	\$ 79,172	\$ 287,455	\$ 1.29
Gain from antitrust litigation settlements	(338)	—	(338)	(338)	(97)	(241)	—
PharMEDium remediation costs	22,506	—	22,506	22,506	6,478	16,028	0.07
Acquisition-related intangibles amortization	—	(45,295)	45,295	45,325	13,882	30,774	0.14
Employee severance, litigation, and other	—	(37,449)	37,449	37,449	11,420	26,029	0.12
Loss on consolidation of equity investments	—	—	—	42,328	—	42,328	0.19
Impairment on non-customer note receivable	—	—	—	30,000	—	30,000	0.13
Loss on early retirement of debt	—	—	—	—	507	(507)	—
Adjusted Non-GAAP	1,277,851	691,519	586,332	538,602	111,362	431,866	1.94
Less non-wholly owned subsidiaries	37,206	41,693	(4,487)	(8,570)	—	(3,944)	(0.02)
Adjusted Non-GAAP excluding non-wholly owned subsidiaries	<u>\$ 1,240,645</u>	<u>\$ 649,826</u>	<u>\$ 590,819</u>	<u>\$ 547,172</u>	<u>\$ 111,362</u>	<u>\$ 435,810</u>	<u>\$ 1.96</u>
Adjusted Non-GAAP % change vs. prior year quarter	9.2%	18.9%	(0.4)%	(3.6)%	(33.7)%	10.5%	9.6%
Adjusted Non-GAAP, excluding non-wholly owned subsidiaries, % change vs. prior year quarter	6.0%	11.8%	0.4%	(2.1)%	(33.7)%	11.6%	10.7%
Percentages of Revenue:	GAAP	Adjusted Non-GAAP					
Gross profit	3.06%	3.11%					
Operating expenses	1.89%	1.69%					
Operating income	1.17%	1.43%					

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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(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31, 2017							
	Gross Profit	Operating Expenses	Operating Income	Interest Expense, Net	Income Before Income Taxes	Income Tax Expense	Net Income Attributable to ABC	Diluted Earnings Per Share
GAAP	\$ 1,256,427	\$ 631,446	\$ 624,981	\$ 37,299	\$ 592,915	\$ 181,442	\$ 411,473	\$ 1.86
Warrants expense ¹	—	—	—	(2,154)	2,154	787	1,367	0.01
Gain from antitrust litigation settlements	—	—	—	—	—	10	(10)	—
LIFO credit	(86,504)	—	(86,504)	—	(86,504)	(32,502)	(54,002)	(0.24)
Acquisition-related intangibles amortization	—	(38,059)	38,059	—	38,152	13,961	24,191	0.11
Employee severance, litigation, and other	—	(11,934)	11,934	—	11,934	4,300	7,634	0.03
Adjusted Non-GAAP	<u>\$ 1,169,923</u>	<u>\$ 581,453</u>	<u>\$ 588,470</u>	<u>\$ 35,145</u>	<u>\$ 558,651</u>	<u>\$ 167,998</u>	<u>\$ 390,653</u>	<u>\$ 1.77</u>
Percentages of Revenue:	GAAP	Adjusted Non-GAAP						
Gross profit	3.38%	3.15%						
Operating expenses	1.70%	1.57%						
Operating income	1.68%	1.58%						

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.

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.



AmerisourceBergen®

Where knowledge,
reach and partnership
shape healthcare delivery.