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HF RESEARCH HenryFund.Org

February 27, 2026

McKesson Corporation (MCK)

Health Care – Health Care Distributors

Stock Rating HOLD

Investment Thesis

McKesson is a scaled pharmaceutical distributor with durable cash flow, strong specialty exposure, and superior capital efficiency within a stable three-player industry. Growth is supported by GLP-1 utilization, oncology expansion, and demographic tailwinds. However, shares trade near our intrinsic value estimate of $1,027, implying only 4.1% upside. We therefore assign a **HOLD** rating.

Drivers of Thesis

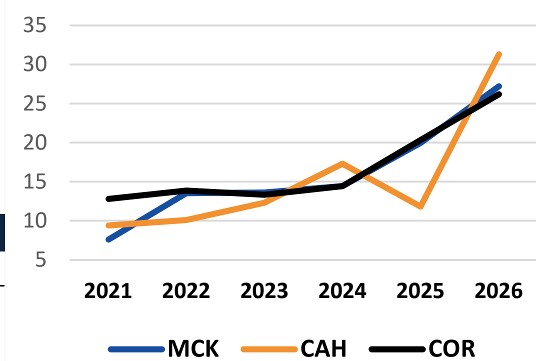
- **GLP-1 & Specialty Exposure –** Sustained utilization growth drives above-industry revenue expansion and increases specialty mix contribution.
- **Revenue Mix Shift –** Oncology & Multispecialty growth lifts operating leverage and supports durable profit expansion.
- **Scale & Working Capital Efficiency –** Negative cash conversion cycle and national logistics infrastructure convert thin margins into strong free cash flow and superior return on invested capital.

Risks to Thesis

- **Reimbursement & Policy Pressure –** Inflation Reduction Act, Medicare negotiations, or Most Favored Nation-style pricing could compress distributor economics.
- **GLP-1 Growth Normalization –** Faster-than-expected deceleration in specialty utilization would pressure revenue assumptions.
- **Contract & Competitive Risk** – Loss of a major customer or aggressive bidding cycle within the three-player oligopoly could impact margins.

Target Price	$1027
Henry Fund DCF	$1081.06
Relative Multiple	$810.97
Price Data	
Current Price	$986.60
52wk Range	$621.88 – $987.37
Consensus 1yr Target	$986.47
Key Statistics	
Market Cap (B)	$121.9
Shares Outstanding (M)	128.1
Institutional Ownership	85%
Beta	0.41
Dividend Yield	0.35%
Est. 5yr Growth	8.8%
Price/Earnings (TTM)	28.03
Price/Earnings (FY1)	26.60
Price/Sales (TTM)	0.31
Profitability	
Operating Margin	1.54%
Profit Margin	3.71%
Return on Assets (TTM)	5.97%
Return on Equity (TTM)	-

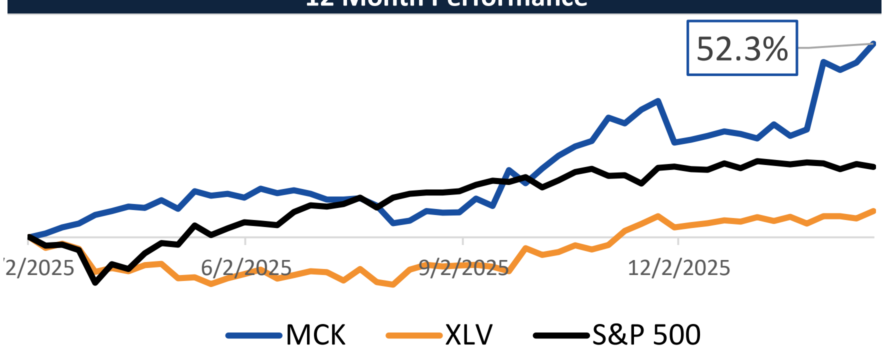
P/E Multiples vs Peers



Earnings Estimates

Year	2023	2024	2025	2026E	2027E	2028E
EPS	$25.03	$22.39	$25.72			
HF est.				$30.52	$34.15	$38.59
growth	*246%*	*-10.5%*	*14.9%*	*18.7%*	*11.9%*	*13.0%*

12 Month Performance



Company Description

McKesson Corporation is a leading pharmaceutical distributor in North America, connecting drug manufacturers with retail pharmacies, hospitals, and physician offices. The company distributes branded, generic, and specialty medications while also operating a growing oncology and healthcare services platform.

Important disclosures appear on the last page of this report.

COMPANY OVERVIEW

McKesson Corporation is one of the largest pharmaceutical distributors in North America, serving as a critical intermediary between drug manufacturers and healthcare providers[1]. The company distributes branded, generic, specialty, and over the counter (OTC) pharmaceuticals to retail pharmacies, hospitals, physician offices, and other care settings across the U.S. and Canada.

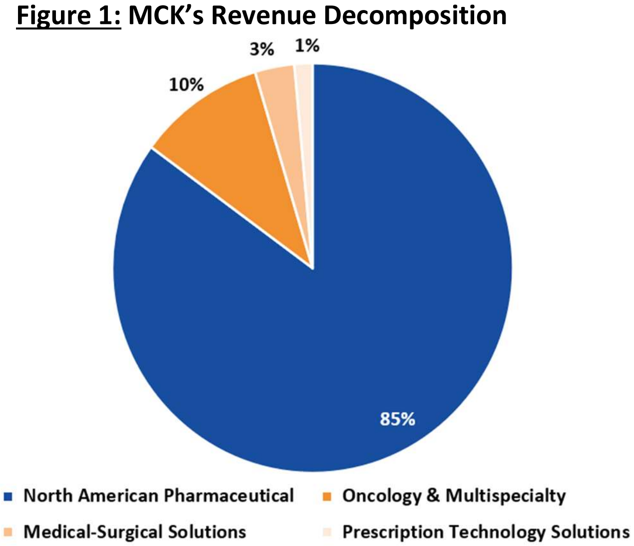
Operating within a highly consolidated, three-player industry, McKesson generates significant revenue through scale-driven distribution while maintaining disciplined capital allocation and strong cash flow generation.

McKesson's Business Model & Segments

McKesson's core function is pharmaceutical distribution (Figure 1). It purchases drugs from manufacturers and resells them to pharmacies and providers, earning a small spread on high-volume transactions. Given the pass-through nature of drug costs, revenue is large while margins remain structurally thin.

The company also operates specialty distribution, oncology services, and technology-enabled healthcare solutions that extend its role beyond pure logistics and deepen its integration within the healthcare value chain. Over the past several years, management has refined its reportable segments to better reflect strategic priorities. Most recently, in Q2 FY26, International was removed following divestitures, and Oncology & Multispecialty was established as a standalone segment, increasing transparency around specialty growth.

Figure 1: MCK's Revenue Decomposition



Source: MCK 2025 10K

North American Pharmaceutical

North American Pharmaceutical (NA Pharma) is McKesson's largest segment and primary earnings contributor. The division distributes branded, generic, specialty, and biosimilar pharmaceuticals to national retail chains, independent pharmacies, hospital systems, and physician offices across the United States. Relationships with leading manufacturers and major customers, including CVS Health, position McKesson at the center of U.S. drug distribution.

For FY25, NA Pharma generated $2.9 billion in adjusted operating income, representing an operating margin near 1%. The segment operates on high-volume distribution economics, where scale drives earnings durability despite narrow spreads.

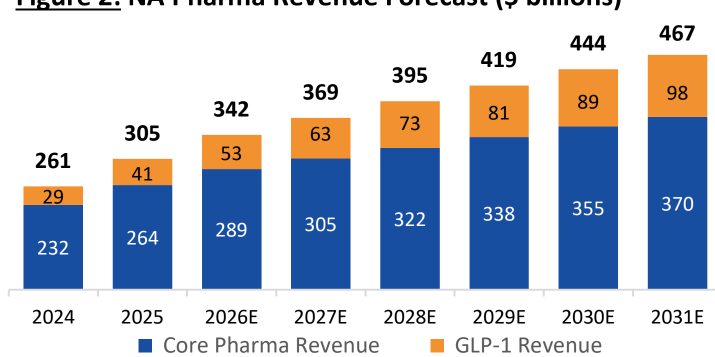
Revenue Composition and Growth Outlook

Revenue growth within NA Pharma is supported by steady drug utilization driven by demographic aging and continued expansion in drug innovation. Within this backdrop, GLP-1 therapies represent the most significant incremental growth contributor[2].

GLP-1s are injectable and oral therapies initially developed for diabetes and now widely adopted for obesity treatment. Their rapid uptake, expanding indications, and strong demand have made them one of the fastest-growing categories in global pharmaceuticals.

McKesson's GLP-1 revenue increased 41% from 2024 to 2025. From 2026 through 2031, we forecast GLP-1 revenue to grow at a 12.8% compound annual growth rate (CAGR), consistent with long-term category expectations[3] (Figure 2). Growth moderates from early acceleration levels but remains well above the broader pharmaceutical baseline.

Figure 2: NA Pharma Revenue Forecast ($ billions)



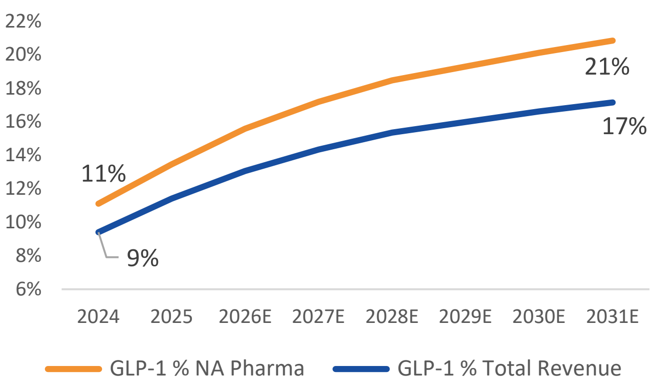
Source: MCK Valuation Model

Core pharma revenue is modeled to grow at a 5.1% CAGR through 2031, gradually decelerating toward mature industry growth rates.

Blended, total NA Pharma revenue expands at a 6.4% CAGR from 2026-2031, in line with CMS projections for long-term U.S. pharmaceuticals expenditure growth of 6% and consistent with street expectations[4,5].

As seen in Figure 2, GLP-1 revenue rises $29 billion in 2024 to nearly $98 billion by 2031. Over this period, GLP-1 exposure within NA Pharma increases from 11.1% to 20.9%, and from 9.4% to 17.2% of consolidated revenue (Figure 3).

Figure 3: GLP-1 % Exposure in Revenue



Source: MCK Valuation Model

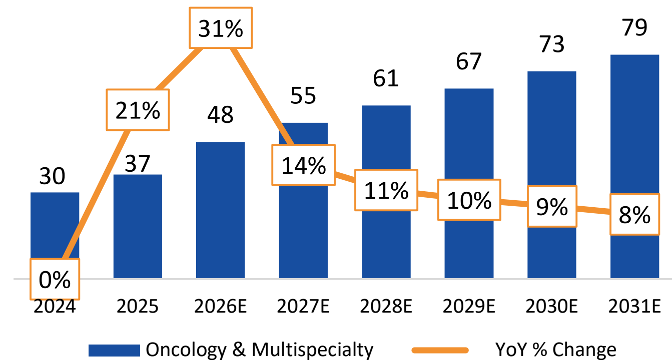
The expanding weight for GLP-1 therapies shifts the segment's mix toward a higher-growth category. The mixed progression, rather than broad-based pricing assumptions, drives the incremental revenue embedded in the forecast and underpins the segment's contribution to consolidated growth.

Oncology & Multispecialty

Oncology & Multispecialty is McKesson's second largest and one of its fastest-growing businesses. The division provides specialty drug distribution, practice management services, and technology solutions to community oncology and other specialty physician practices. Through its provider networks and integrated service platform, McKesson supports independent practices with purchasing, reimbursement support, and infrastructure.

Recent growth was amplified by the acquisition of CORE Ventures in Q1 FY26, expanding McKesson's provider network and increasing base revenue. This step-up is reflected in the sharp acceleration from 20.9% growth in FY25 to an expected 29-33% in FY26[6].

Figure 4: Oncology & Multispecialty Revenue ($ billions)



Source: MCK Valuation Model

From that elevated base, we model growth to normalize (Figure 4). Revenue increases from $48 billion in 2026 to $79 billion in 2031, representing a 10.4% CAGR. Growth tapers from mid-teen levels toward high single digits by the end of the forecast horizon, reflecting a transition from acquisition-driven expansion to more sustainable organic growth.

Underlying demand remains strong. Oncology spending continues to grow at 11-14% annually according to IQVIA, driven by rising cancer incidence, expanded therapeutic innovation, and increasing treatment intensity[7]. While not all category growth translates directly to distributor revenue, this industry tailwind supports sustained above-GDP expansion for the segment.

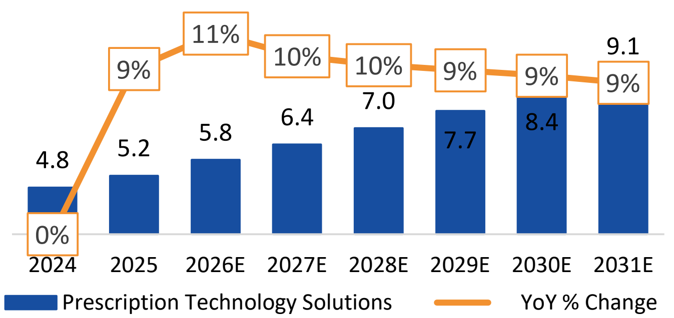
In our model, Oncology & Multispecialty represents a higher-growth complement to core pharmaceutical distribution. The segment's elevated growth profile supports consolidated revenue expansion and gradually increases the contribution of specialty services within the overall mix, while growth moderation over time preserves forecast credibility.

Prescription Technology Solutions (RxTS)

Prescription Technology Solutions (RxTS) provides technology- enabled services that support pharmacy operations, reimbursement workflows, data connectivity, and clinical decision support. The segment connects pharmacies, providers, payers, and manufacturers through software platforms and analytics tools that improve operational efficiency and reduce revenue leakage across the healthcare system.

Healthcare services and technology (HST) remains one of the fastest-growing areas within healthcare. Increasing system complexity, cybersecurity demands and rising administrative costs are driving providers and payers to outsource workflow-heavy functions to specialized technology platforms. Advancements in AI and machine learning are further accelerating this shift by automating claims management, enhancing interoperability, and generating actionable clinical and financial insights.

Figure 5: RxTS Revenue ($ billions)



Source: MCK Valuation Model

Management expects 14-18% revenue growth in FY26, reflecting continued adoption and network expansion. We model RxTS revenue to increase from $5.8 billion in 2026 to $9.1 billion in 2031, a 9.3% CAGR, with growth moderating toward high single digits by the end of the forecast period (Figure 5).

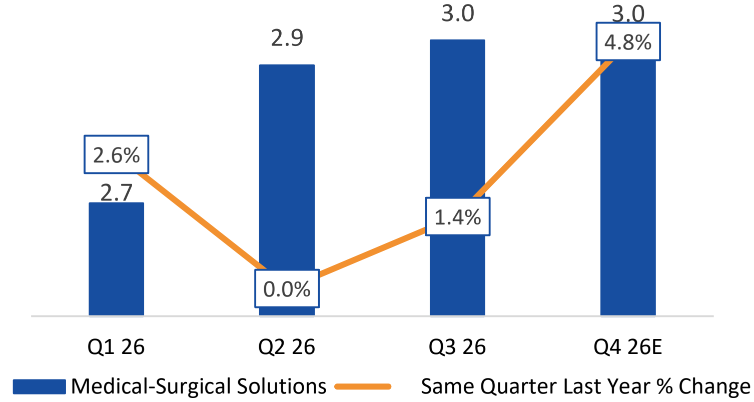
While smaller than distribution segments, RxTS increases exposure to recurring, technology-driven revenue streams and benefits from ongoing healthcare digitalization.

Medical-Surgical Solutions

Medical-Surgical Solutions (Med-Surg) distributes medical supplies and equipment to physician offices, ambulatory surgery centers, and health systems. The segment focuses on consumables and procedural products rather than branded pharmaceuticals.

Recent growth has been limited (Figure 6). Revenue increased from $11.3 billion in 2024 to $11.4 billion in 2025, or 0.7% growth, with quarterly trends showing similarly modest expansion. Management expects FY26 results at the lower end of 2-6% growth, reinforcing the segment's mature profile[8].

Figure 6: Med-Surg Revenue & Growth (same Q, prior Yr)



Source: MCK 2026 Q3 10Q

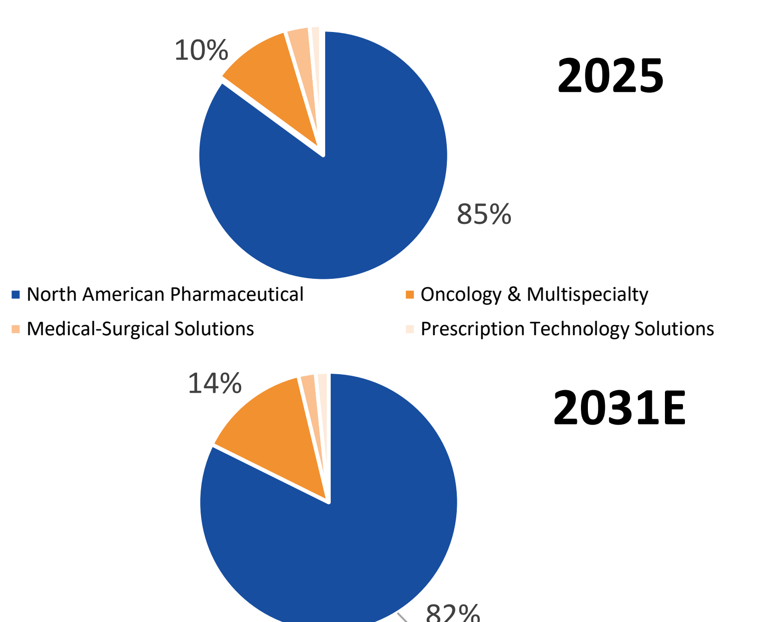
Management continues to advance the separation of Med-Surg, with transition service agreements now in place and an IPO targeted for the second half of calendar 2027[6], subject to market conditions and regulatory approvals.

The spin-off is expected to create two more focused entities: A standalone med-surg company and the McKesson parent concentrated on pharmaceutical distribution, specialty services, and healthcare technology.

Revenue Mix and Consolidated Growth

We forecast McKesson's revenue composition to shift meaningfully over the forecast horizon. NA Pharma remains the dominant segment, but its share of total revenue gradually declines from 84.6% in 2024 to 82.3% by 2031 (Figure 7).

Figure 7: Forecasted Revenue Mix



Source: MCK Valuation Model

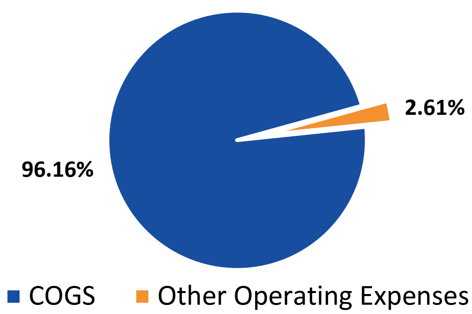
McKesson's revenue base shifts toward faster-growing and higher-contribution segments over the forecast horizon. Oncology & Multispecialty expands from 9.9% of revenue in 2024 to 14% by 2031, while RxTS grows modestly. Additionally, NA Pharma's mix is increasingly influenced by specialty and GLP-1 therapies.

This evolving mix supports operating profit growth that outpaces revenue, consistent with management's expectation of 13-17% operating profit growth in Fy26.

Cost Structure Analysis

McKesson operates on thin margins, making small cost assumptions highly impactful to NOPLAT, ROIC, and ultimately valuation (Figure 8).

Figure 8: COGS and Operating Expenses as % Revenue



Source: MCK Valuation Model

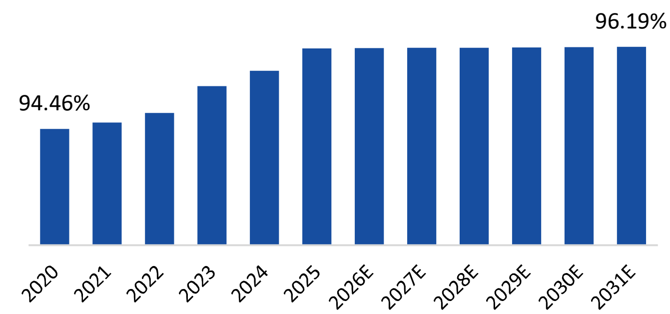
Cost of Product Sold (COGS)

COGS is modeled off FY25 levels at 96.16% of revenue, with a conservative 0.5 basis point annual increase through the forecast period.

COGS primarily represents the cost of pharmaceuticals purchased from manufacturers and resold to customers. As a high-volume, pass-through distributor, McKesson's revenue and product costs generally move in tandem. Drug inflation, reimbursement shifts, or macro pressures typically flow through both lines, limiting sustained volatility in gross margin.

From FY 2020 to FY25, COGS increased from 94.46% to 96.16% of revenue. The move was driven by mix: higher branded and specialty penetration, including GLP-1 adoption, and the rebalancing of elevated generic margins seen in earlier years. This represents a step-up in margin profile rather than an ongoing linear deterioration.

Figure 9: COGS as a % of Revenue (ex. D&A)



Going forward, our model assumes specialty and GLP-1 continue to grow, but at a steadier pace. Any incremental mix pressure is partially offset by procurement leverage, sourcing scale, and effective contract management.

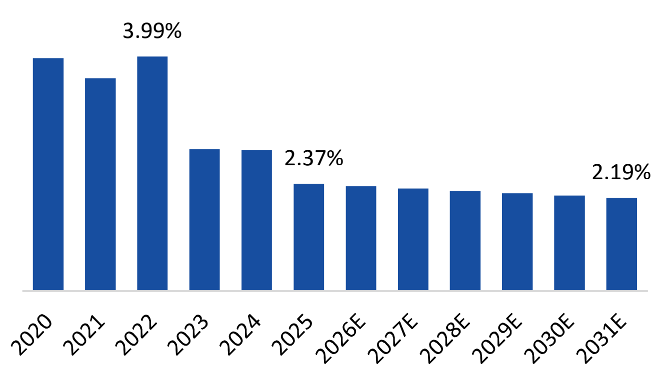
In short, our forward outlook assumes a steady-state distribution margin consistent with McKesson's scale and purchasing power.

Sales, Distribution, General & Administrative

SDG&A (SG&A) is modeled off FY25 at 2.37% of revenue, improving by 3 basis points annually through the forecast.

Over the past several years, SG&A as a percentage of revenue has declined meaningfully, reflecting operating leverage and cost control[1] (Figure 10). At the same time, revenue composition is shifting toward higher-margin segments, particularly Oncology & Multispecialty and RxTS, which generate stronger operating contribution than traditional drug distribution.

Figure 10: SGD&A as a % Revenue



Source: MCK Valuation Model

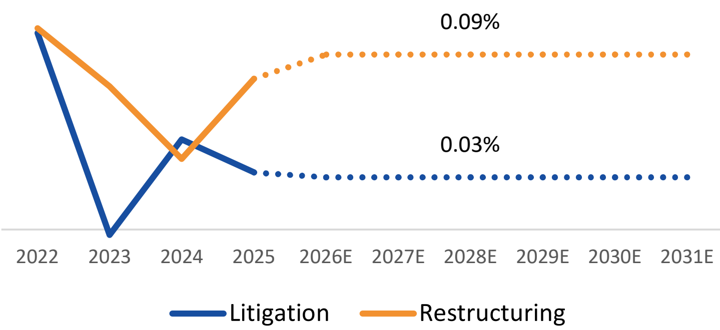
Management continues investing in automation, AI-driven tools, and workflow optimization across the enterprise[6]. These initiatives are already producing measurable efficiency gains, with operating income growing faster than revenue. As specialty volumes scale and technology-enabled services expand, infrastructure costs are leveraged across a larger base.

The modeled 3 bps annual improvement assumes steady execution and continued mix benefit, while remaining aligned with management's 13-17% operating profit growth outlook. Under these assumptions, we project operating profit growth at 15% YoY.

Litigation and Restructuring

Litigation and restructuring costs are treated as recurring components of operating performance (Figure 11). Pharmaceutical distribution carries structural legal and regulatory exposure, and even normal periods involve compliance, defense, and settlement-related costs.

Figure 11: Litigation & Restructuring as % Revenue



Source: MCK Valuation Model

Rather than excluding these items, our model assumes average levels consistent with recent history. This reflects the industry's risk profile and avoids overstating sustainable margin expansion.

Supply Chain & Working Capital Dynamics

In pharmaceutical distribution, execution drives value. McKesson's supply chain is the economic backbone of its model and a core source of competitive durability.

National Scale and Reliability

McKesson serves over 40,000 customers and moves approximately one-third of total U.S. pharmaceutical volume through its distribution network[9]. The company executes 41,000+ daily deliveries with a 99.9% delivery accuracy, demonstrating near-perfect fulfillment at a national scale[10] (Figure 12).

Figure 12: McKesson's Distribution Centers (2023)

Source: Erica Liesfeld, McKesson 2023[11]

McKesson's footprint includes 30 U.S. pharmaceutical distribution centers (DC's), supported by two strategic redistribution centers totaling 740,000+ square feet, enabling a two-tier structure that balances centralized inventory with local responsiveness[1].

Operational scale is evident at the National Redistribution Center (NRDC) in Mississippi, which handles roughly 85k cases of medicine daily (21M annually), unloads 40-60 trucks daily, and uses automated guided vehicles for 20-30% of outbound volume[10]. Automation reduces error rates, compresses fulfillment time, and sustains consistency at scale.

National Scale and Reliability

As drug mix shifts toward specialty and biologics, refrigerated logistics becomes a gating capability.

Management disclosed that McKesson is midway through a five-year initiative expected to increase refrigerated capacity at many forward distribution centers by more than 50%[6]. This investment positions the company to support temperature-sensitive therapies without sacrificing service levels, reinforcing both growth capacity and customer retention.

Technology and Regulatory Execution

McKesson embeds AI and digital tools directly into supply chain workflows. For example:

- An AI-enabled chat tool addressing Drug Supply Chain Security Act (DSCSA 2013) prevented 75% of inquiries from escalating, improving first-contact resolution[6].
- Canadian contact center pilots achieved nearly 100% service accuracy and reliability while reducing turnaround time.

Given DSCSA's requirement for electronic, interoperable drug traceability at the package level, digital integration is now core infrastructure, not optional enhancement[12].

Working Capital Efficiency

McKesson's operational discipline translates into cash flow strength (Figure 13).

Figure 13: MCK vs Peers – Working Capital Stats

Company	DSO	DIO	DPO	CCC
MCK	27	24	58	-7
CAH	23	29	59	-8
COR	30	24	64	-11

Sources: MCK Valuation Model, CAH 10K[13], COR 10K[14]

McKesson operates with a -7 day cash conversion cycle, financing inventory through supplier terms while maintaining steady receivables. Net working capital remains negative (approx. $6.2B), supporting free cash flow generation despite thin margins[2].

Competitive Context

Peers are investing aggressively.

- Cardinal Health (CAH) announced a new 230k sq. ft. automated facility supporting 70k+ deliveries daily[15].
- Cencora (COR) announced a $1B investment through 2030, including a 530k sq. ft. facility and major refrigerated capacity expansion[16].

McKesson's differentiation lies in its already established throughput scale (one-third of U.S. volume), disclosed 99.9% delivery accuracy, automation depth, and quantified 50%+ refrigeration expansion underway.

Debt Maturity

McKesson maintains a conservative, investment-grade balance sheet. As of the most recent filings, the company is rated BBB+, in line with Cencora, and slightly above Cardinal Health, supporting consistent access to capital markets[17] (Figure 14).

Figure 14: McKesson vs Peers – Debt Ratings

Company	S&P Rating
MCK	BBB+
CAH	BBB
COR	BBB+

Source: FactSet[17]

On December 31, 2025, total debt outstanding was approximately $6.6 billion, of which roughly $1.1 billion was classified as current portion of LT debt. Over the past four fiscal years, total debt remained stable in the $5.6-5.9 billion range, despite growth in non-cash operating assets. As a result, debt as a percentage of non-cash assets declined, indicating improving balance sheet capacity rather than incremental leverage.

Recent issuance has been acquisition driven. In May of 2025, McKesson issued:

- $650 million in 4.65% Notes due 2030
- $650 million of 4.95% Notes due 2032
- $700 million of 5.25% Notes due 2035

Net proceeds of approximately $2.0 billion were used, together with cash, to fund the Core Ventures acquisition.

Figure 15: McKesson Debt Maturity

Five-Year Debt Maturity Schedule

Fiscal Year	Payment ($mil)
2026	$1184
2027	1228
2028	384
2029	1011
2030	725
Thereafter	2025
Total	$6,557

Sources: MCK 2025 10K, MCK 2026 Q3 10Q

The maturity profile is well staggered with no concentrated near-term refinancing pressure. Given projected operating cash flow of $5.2 billion in FY26 and

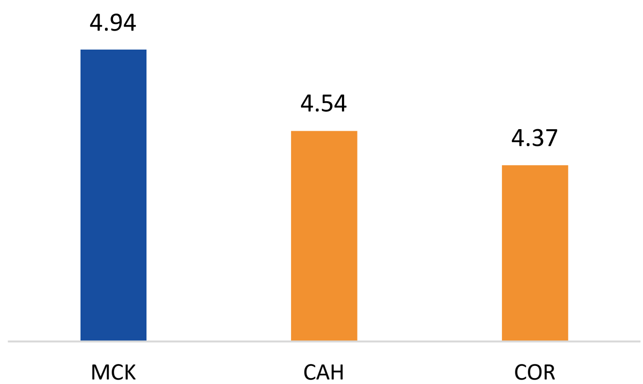
$6.1 billion in FY27, we have no concerns about debt service capacity[2] (Figure 15).

Finally, we model principal maturities to refinance on a 1:1 basis. This is consistent with historical practice, the company's investment-grade rating, stable leverage levels, and strong recurring cash flow generation.

Environmental, Social, Governance

McKesson's ESG profile shows strong governance and environmental oversight, balanced against the inherent regulatory and litigation exposure of pharmaceutical distribution (Figure 16).

Figure 16: McKesson vs Peers – Bloomberg ESG Rating



Source: Bloomberg ESG[18]

Environmental: 8.22

McKesson scores highest among peers on environmental metrics. According to its FY25 Impact Report, the company continues investing in energy efficiency across its distribution network, expanding renewable energy procurement, and reducing Scope 1 and 2 emissions. Ongoing modernization of DC's, including automation and refrigeration upgrades, improves both operational resilience and energy efficiency[19]. Given its asset-light, logistics-focused model, environmental risk is manageable relative to other healthcare industries.

Environmental: 2.80

The lower social score reflects industry-wide scrutiny related to opioid litigation and drug distribution oversight. That said, McKesson emphasizes medication safety, access to care, and supply chain integrity in its FY25 Impact Report. The company distributes roughly one-third of U.S. pharmaceuticals daily with 99.98% order accuracy, underscoring its public health role. Workforce safety, compliance programs, and expanded patient access initiatives remain central focus areas.

Governance: 8.29

Governance is a relative strength for McKesson, who maintains a majority-independent board, strong oversight committees, and disciplined capital allocation. Its BBB+ credit rating and consistent refinancing approach further reflect financial stewardship. Product Quality Management (3.00), the most operationally critical ESG sub-metric for a distributor, leads peers and aligns with the company's emphasis on DSCSA compliance, traceability, and quality control.

RECENT DEVELOPMENTS

Recent Earnings & FY26 Outlook

McKesson's most recent quarter reinforced the durability of its distribution model and the accelerating contribution from higher-margin growth platforms. Consolidated revenue increased double digits year-over-year, driven by higher prescription volumes in NA Pharma and continued strength in Oncology & Multispecialty. Operating profit grew faster than revenue, reflecting operating leverage and mix shift toward specialty and technology-enabled services. Management reaffirmed FY26 guidance, which our model aligns with (Figure 17).

Figure 17: Our Model vs McKesson Guidance

FY26 Metric	Model	Guidance
Operating Profit Growth	**15%**	**13-17%**
Effective Tax Rate	**19%**	**19%**
Free Cash Flow	**$4.5B**	**$4.4-4.8B**
Share Repurchases	**$2.6B**	**$2.5B**

Source: MCK Q3 FY26 Earnings Presentation[20]

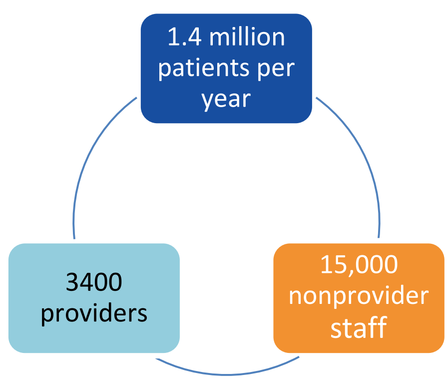
Operating expenses continue to scale slower than gross profit, supporting margin expansion without requiring aggressive cost assumptions. The quarter validates our core assumption: Profit growth is increasingly driven by mix and execution rather than volume alone.

M&A: CORE Ventures & PRISM Vision

McKesson continues to scale its higher-contribution Oncology & Multispecialty platform through targeted acquisitions. In August 2024, the company agreed to acquire 70% of CORE Ventures for roughly $2.5 billion in cash, integrating the business into its oncology platform. CORE, established by Florida Cancer Specialists (FCS), expands McKesson's presence in community oncology services and strengthens its administrative and business services capabilities. FCS, which includes more than 250 physicians and 280 practice providers, joined McKesson's U.S. Oncology Network as part of the transaction[21].

In addition, PRISM Vision adds over 200 retina and ophthalmology providers, expanding McKesson's specialty provider footprint beyond oncology. Today, the U.S. oncology network includes roughly 3,400 providers, positioning McKesson as one of the largest community oncology platforms in the country[6] (Figure 18).

Figure 18: The US Oncology Network - McKesson



Source: The US Oncology Network Annual Report[22]

Management noted that both CORE and PRISM are performing at or slightly ahead of acquisition expectations. The acquisitions contributed approximately 13% of Oncology & Multispecialty segment growth in Q3 and are expected to contribute 30–34% of the segment's FY26 operating profit growth. Management views these transactions as accretive to revenue, operating income, and margin expansion over time.

Together, these acquisitions deepen McKesson's integration with specialty providers, increase exposure to higher-margin service revenue, and reinforce the strategic shift toward oncology and biopharma services as core growth drivers.

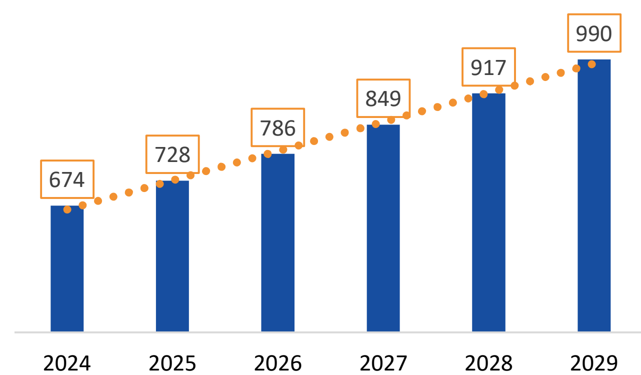
INDUSTRY TRENDS

The healthcare industry is constantly evolving, and tracking the changes most relevant to McKesson is critical to evaluating forward earnings power. While overall spending continues to rise, profit pools are shifting toward specialty pharmaceuticals, technology-enabled services, and scaled intermediaries; areas directly aligned with McKesson's positioning.

Rising Drug Net Spend & Specialty Focus

Drug net spending increased 11% from 2023 to 2024 and is expected to grow at an 8% CAGR through 2029, reaching roughly $990 billion[23] (Figure 19).

Figure 19: Expected Net Drug Spend in the U.S. ($B)



Source: McKinsey & Company US Healthcare Outlook[23]

Importantly, GLP-1 therapies account for nearly half of recent drug spend growth, driven by expanding obesity and diabetes utilization. GLP-1s are increasingly viewed as first-line therapy for Type 2 diabetes and are gaining broader payer acceptance for obesity treatment[24]. As utilization expands across commercial and Medicare populations, specialty distribution volumes rise disproportionately. For McKesson, this matters because:

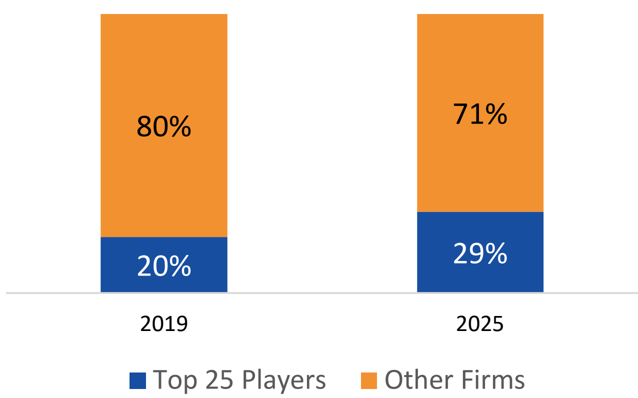
- Higher specialty and branded mix increase revenue scale
- Specialty logistics, cold-chain capacity, and provider integration become more valuable
- Growth is volume and mix driven

Even with pressure on unit pricing, industry drug spending growth remains intact.

Health Services & Tech (HST) Consolidation

Health Services & Technology is the fastest-growing segment of healthcare. The top 25 players now control roughly 29% of revenue pools in 2025, indicating consolidation toward scaled operators (Figure 20).

Figure 20: HST Industry Revenue Consolidation (Top 25)



Source: McKinsey & Company US Healthcare Outlook[23]

Supporting this shift includes the increased adoption of AI, data infrastructure and compliance requirements (DSCSA), cost-efficiency mandates, and the proposed $50 billion Rural Health Transformation Plan, which aims to allocate funds to states over 5 years to modernize rural care.

Scale and infrastructure matter. McKesson's investments in automation, specialty platforms, and technology-enabled services position it within this expanding revenue pool. As healthcare systems seek efficiency, intermediaries that reduce friction and cost gain relative advantage.

Margin Compression in Payers & Providers

Industry EBITDA as a percentage of National Health Expenditures is projected to fall 8.7% by 2027, with margin pressure concentrated among payers and providers.

Healthcare spending continues to grow, but profitability is tightening in capital-intensive care delivery models. Pharmaceutical distribution economics, by contrast, are based on volume throughput and working capital efficiency rather than reimbursement spreads.

This environment reinforces McKesson's positioning as an asset-light intermediary rather than a risk-bearing provider. As providers face margin pressure, outsourcing distribution, specialty services, and administrative functions becomes increasingly rational.

Regulatory & Structural Considerations

Several regulatory developments warranting monitoring:

- **Direct to Consumer (DTC)** and cost-plus distribution models are gaining visibility. However, McKesson's management indicates that such models do not meaningfully disrupt the core economics of scaled distribution. Even in DTC scenarios, manufacturers still require logistics, compliance, and channel infrastructure; McKesson performs at scale[6].
- **Most Favored Nation (MFN)** pricing proposals have limited near-term economic impact. Current implementations affect a narrow subset of drugs and populations, with minimal disruption to distributor spreads[25].
- **IRA Medicare Part D** negotiations apply to a limited number of drugs and are already incorporated into McKesson management's full-year guidance assumptions.
- **Medicaid or ACA** coverage shifts may alter payer mix, but drug demand for chronic and specialty conditions remain resilient.

Overall, while policy headlines generate volatility, the demand drivers for specialty pharmaceuticals and supply chain efficiency remain intact.

COMPETITIVE POSITIONING

The U.S. pharmaceutical wholesaling industry is mature, highly concentrated, and structurally stable. IBISWorld estimates the "Big Three" distributors — McKesson, Cencora, and Cardinal Health — account for over 90% of domestic drug distribution revenue in 2025[26]. While industry revenue is expected to grow at 2.2% CAGR from 2025-2030, in line with GDP, this baseline reflects traditional distribution activity. Growth is increasingly concentrated in specialty pharma, oncology, and advanced therapeutics; areas where scale and service capabilities matter more than volume alone.

This dynamic supports our thesis. McKesson is not positioned as a low-growth, pure-play wholesaler. Its expanding Oncology & Multispecialty platform, RxTS capabilities, and exposure to GLP-1 therapies position the company to grow meaningfully above the mature industry average. We forecast 6.8% revenue CAGR from FY26-31, consistent with Street estimates of 6.9%[5].

Industry Forces (Porter's 5 Analysis)

Threat of New Entrants – Very Low

National distribution infrastructure, cold-chain capabilities, DSCSA compliance, and working capital scale create formidable barriers. Regional wholesalers have struggled, with multiple closures between 2020-2025 due to rising compliance and logistics costs[26]. Scale is required to compete.

Supplier Power – Moderate to High

Upstream manufacturer consolidation increases pricing leverage. Distributors rely on a limited number of large suppliers, creating concentration risk. However, spread economics and contractual fee structures stabilize gross margins despite price volatility.

Buyer Power – High but Rational

Downstream consolidation among pharmacies, PBMs, and health systems increases negotiating leverage. Competitive bidding cycles can shift contracts abruptly: For example, OptumRx's 2024 switch from Cardinal to McKesson (16% of Cardinal's revenue). However, switching costs remain operationally complex, reinforcing long-term contracts.

Threat of Substitution – Low but Emerging

Direct-to-consumer (DTC) models, particularly for GlP-1's and specialty drugs, are expanding. But wholesale bypass remains limited in scale due to regulatory complexity and logistics constraints. The wholesale channel remains the norm.

Rivalry – 3-Player Oligopoly

With three players controlling over 90% of volume, rivalry is stable. Firms compete on service breadth, specialty integration, and reliability rather than price.

Competitive Landscape & Peer Context

McKesson leads the peer group in scale and profitability metrics (Figure 21). Last fiscal year-end (FYE), McKesson generated $359 billion in revenue verses $321 billion for Cencora and $223 billion for Cardinal. One-year revenue growth of 16.2% materially exceeds peers, reflecting stronger specialty and GLP-1 exposure.

Figure 21: McKesson vs Peers – Key Metrics (last FYE)

FY25 Metric	MCK	CAH	COR
Market Cap (2/27/26)	$120.1B	$53.7B	$72.0B
P/E (2/27/26)	27.0	31.2	26.0
Revenue	$359B	$223B	$321B
Revenue Growth (YoY)	16.2%	-1.9%	9.3%
Gross Margin	3.71%	3.67%	3.49%
Operating Margin	1.54%	0.99%	1.18%
Net Debt to EBITDA	0.26x	1.74x	0.97x
FCF Margin	1.55%	0.83%	1.00%
ROIC	64.1%	23.9%	25.5%

Source: Bloomberg Relative Valuation Data[27]

Gross margins are similar across the group, reinforcing that pricing power is limited. However, operating margin diverges, with McKesson leading at 1.54% last FYE. In a thin-margin industry, small execution advantages translate into big profit differences.

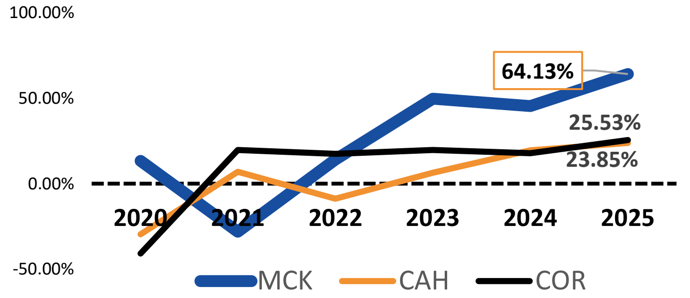
Leverage further differentiates the group. McKesson's net debt to EBITDA of 0.26x is lower than Cencora's and Cardinal's, providing balance sheet flexibility and future acquisition capacity.

Competitive Landscape & Peer Context

The clearest competitive advantage distinction emerges in capital returns. McKesson has generated consistently superior ROIC over the past 5 years, relative to peers (Figure 22). Bloomberg calculates ROIC using its own invested capital methodology, which differs from the McKinsey framework applied in our valuation; but the relative ranking across peers remains consistent under either definition.

While year-to-year volatility exists due to working capital swings and accounting differences, McKesson's multi-year outperformance indicates stronger capital deployment (Figure 22).

Figure 22: McKesson vs Peers – 5 Year ROIC Data



Source: Bloomberg Relative Valuation Data[27]

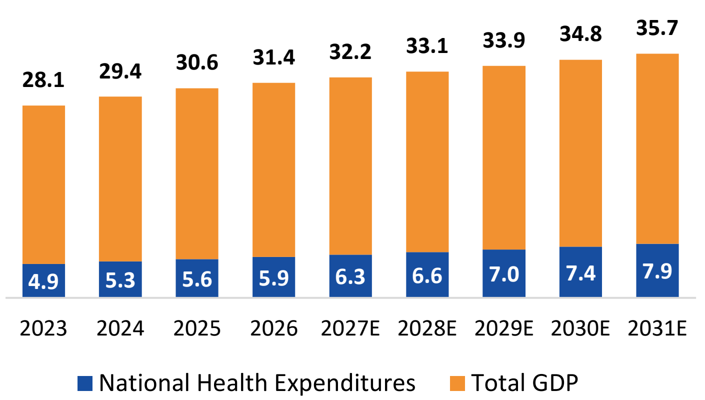
In a mature distribution industry where gross margins are constrained, competitive advantage is derived from capital efficiency, working capital management, and mix shift toward higher-value services. McKesson's oncology integration, RxTS platform, and scale-driven logistics infrastructure enable it to convert modest margins into superior returns on invested capital.

ECONOMIC OUTLOOK

Gross Domestic Product & Healthcare Share

Macroeconomic growth matters for McKesson primarily through utilization and prescription volume. Centers for Medicare and Medicaid Services (CMS) reported national health expenditures (NHE) rose by 7.2% to $5.3 trillion in 2024, representing 18% of GDP[28].

Figure 23: Net Health Expenditures vs Nominal GDP ($T)



Sources: CMS NHE 2024[28], CMS NHE Projections[29], HF Economic Forecast[30]

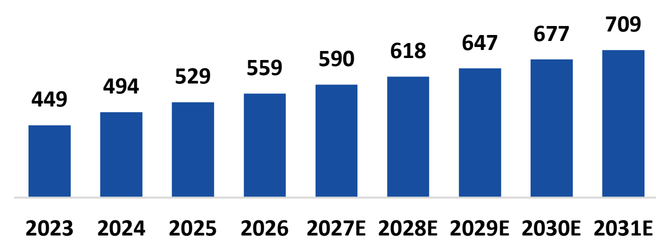
In its 2025-2033 projections, CMS expects NHE growth to average 5.8%, outpacing our Henry Fund long-term GDP growth estimate of 2.6%, which drives healthcare's share of GDP higher (Figure 23)[29,30].

For McKesson, this backdrop supports sustained, non-cyclical demand for pharmaceuticals and related services even amid mixed macro conditions, with the key sensitivity being utilization trends rather than consumer discretionary spending.

Prescription Drugs: Inflation + Utilization

Retail prescription drug spending remains a stable share of total healthcare spending, but the growth mix is shifting toward high-cost, specialty therapies. CMS reported retail prescription drug spending increased 10.1% in 2024 to $494 billion, while retail drug prices rose 1.4%, indicating 2024 growth was driven more by utilization and mix than price inflation.

Figure 24: Prescription Drug Spend in the U.S. ($B)



Source: CMS NHE Projections[29]

Growth is expected to moderate over the forecast horizon (Figure 24). CMS projects overall retail prescription drug spending growth to slow to 7% in 2025, average 5.6% in 2026-2027, and decelerate further to 4.7% in 2028-33, reflecting Inflation Reduction Act (IRA) related Medicare drug provisions, CPI-linked price constraints, and enrollment shifts. Importantly, CMS highlights that demand for diabetes and anti-obesity therapies continued to rise even as overall spending growth slowed, underscoring the demand behind GLP-1 adoption.

For McKesson, the implication is clear: Revenue growth is supported by durable utilization trends, but margin capture increasingly depends on scale, specialty distribution, and value-added services.

Insurance Coverage

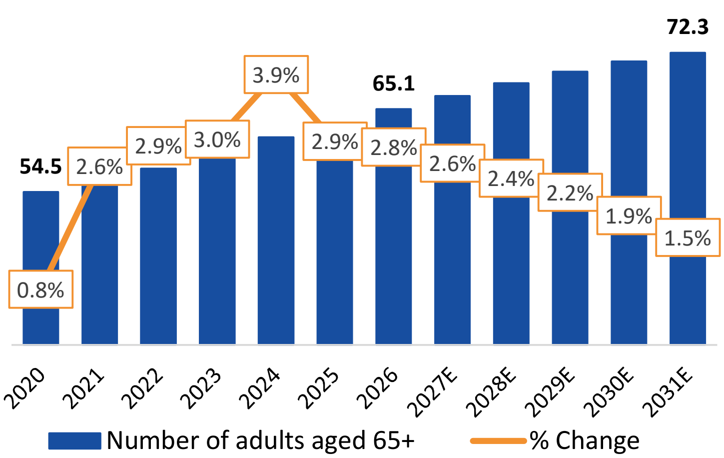
Insurance coverage remains a key determinant of prescription affordability and utilization. According to the CDC's *National Health Interview Survey (2024)*, 8.2% of Americans were uninsured in 2024, down from 9.7% in 2020[31]. Among working-age adults (18-64), the uninsured rate declined from 13.9% to 11.6% over the same period. Coverage composition has shifted modestly: 65.4% of individuals under 65 are covered by private insurance and 26.6% by public programs, with exchange-based coverage rising from 3.8% in 2020 to 5.7% in 2024, partially offsetting Medicaid redetermination declines.

Disparities remain: Adults in non-Medicaid expansion states are nearly twice as likely to be uninsured[32]. Looking forward, CMS projects the insured share remains near 91% through the late 2020s, with only modest increases in the uninsured population under current law assumptions[29].

For McKesson, the takeaway is constructive: Coverage levels remain historically high, supporting prescription volumes across retail, specialty, and oncology channels. While payer mix may shift at the margin, insured demand remains sufficient to sustain distribution growth.

Aging Population: Durable Tailwind

<u>Figure 25:</u> The Aging U.S. Population



Source: IBISWorld Performance Report[33]

Demographics are one of the most reliable drivers of prescription volume. According to IBISWorld (sourced from the U.S. Census Bureau), the U.S. population aged 65+ reached 63.3 million in 2025, up from 54.5 million in 2020, and is projected to rise at 2-3% as the baby-boomer cohort fully transitions into Medicare eligibility (Figure 25)[33]. This steady expansion of the senior population increases demand for chronic and specialty therapies.

CMS projections reinforce this trend. Medicare enrollment is expected to grow to 69.6 million by 2026 and 78 million by 2033, supporting sustained insured utilization across pharmaceutical channels[29].

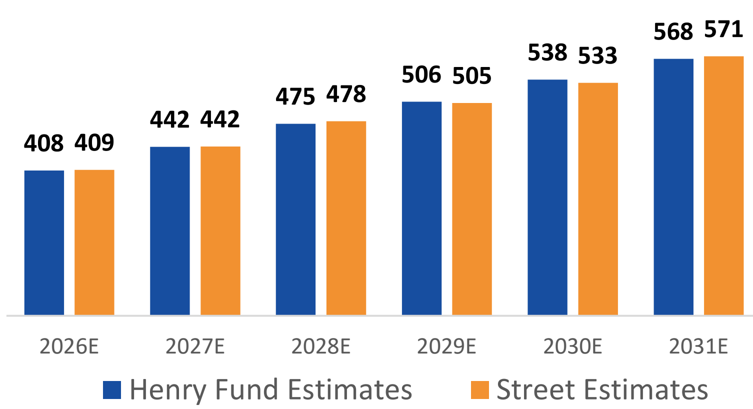
For McKesson, this demographic tailwind supports our long-term thesis that growth is driven less by pricing and more by rising volumes and therapy mix. The aging population provides a demand floor to support distribution scale and cushions cyclical volatility found elsewhere in healthcare.

VALUATION

Aging Population: Durable Tailwind

We forecast revenue to grow at a 6.8% CAGR from FY26-31, consistent with Street expectations (6.9%). Our forecast assumes continued specialty and oncology expansion, sustained GLP-1 utilization growth, and stable prescription drug volume growth supported by demographics (Figure 26).

<u>Figure 26:</u> Henry Fund vs Street Revenue Estimates



Source: MCK Valuation Model

Cost Structure & Margin Assumptions

Given the thin-margin nature of pharmaceutical distribution, small changes in operating margin materially affect valuation (Figure 27).

Figure 27: Cost Assumption Sensitivity Table

Yearly COGS Improvement (Regression) / SG&A Variation

1,040.76	-0.015%	-0.010%	-0.005%	0.00%	0.005%	0.010%	0.015%
-0.02%	912.79	917.34	921.82	926.25	930.62	934.95	939.23
-0.01%	921.82	926.25	930.62	934.95	939.23	943.47	947.67
0.00%	930.62	934.95	939.23	943.47	947.67	953.23	995.17
0.01%	939.23	943.47	947.67	953.81	995.32	1,017.87	1,040.46
0.02%	947.67	954.39	995.47	1,018.02	1,040.61	1,063.22	1,085.83
0.03%	995.62	1,018.17	1,040.76	1,063.37	1,085.98	1,108.59	1,131.20
0.04%	1,040.92	1,063.52	1,086.13	1,108.74	1,131.36	1,153.97	1,176.59

Our model assumes:

- Gross margin remains stable, consistent with historical spread economics.
- Operating margin expands modestly as mix shifts toward oncology and higher-value services.
- SG&A grows below revenue as scale efficiencies persist.

Cost of Capital (WACC) - 6.01%

We estimate McKesson's weighted average cost of capital (WACC) at 6.01%, reflecting its defensive business model, low leverage, and stable cash flow profile. Using the Capital Asset Pricing Model, we calculate a 6.15% cost of equity, based on a 4.10% 10-Year U.S. Treasury Yield, a 0.41 five-year monthly raw beta, and a 5% Henry Fund equity risk premium. We estimate a 3.55% after-tax cost of debt, derived from a 4.67% YTM on McKesson's 10-year corporate bond and a 24% marginal tax rate. Applying market value weights of 94.6% equity and 5.4% debt results in **a 6.01% WACC**.

Discounted Cash Flow (DCF) - $1081/ share

Our enterprise DCF model implies an intrinsic value of **$1081 per share**, representing approximately **9.6% upside** from the current price of $986.60. We project free cash flow to expand from $713 million in FY26 to $6.3 billion in FY31, driven by steady revenue growth and sustained capital efficiency.

Key assumptions include a 2.5% terminal growth rate, a 31% terminal ROIC, and a 6.01% WACC. These inputs generate operating assets of $138.5 billion. After adjusting for non-equity claims, we derive an equity value of $131.6 billion, or $1081 per share.

Relative Valuation - $811/ share

We apply a forward P/E multiple on FY26E EPS as our primary relative valuation metric. The peer group includes Cardinal Health and Cencora, which trade at an average FY26 P/E of 26.6x.

Applying the peer average multiple to McKesson's FY26E EPS of $30.52 implies a relative value of **$811 per share**. McKesson currently trades at 32.3x FY26E earnings, reflecting a premium to peers.

We believe this premium is partially justified by McKesson's superior five-year ROIC, stronger specialty exposure, and lower leverage profile. However, for conservatism, we anchor our relative valuation to the peer average multiple rather than assuming sustained premium expansion.

Henry Fund vs Street Price Target

Our valuation framework blends intrinsic and market-based approaches, with heavier emphasis on discounted cash flow given McKesson's durable cash generation and high ROIC profile (Figure 28).

Figure 28: Henry Fund Target Price Calculation

Method	Price	Weight	Target
DCF	$ 1,081.06	80%	$ 864.85
P/E	$ 810.97	20%	$ 162.19
		Target Price	**$ 1,027.04**

With shares currently trading at $986.60, our target implies a **4.1% upside.**

Our price target is modestly above the Street consensus of $986.47. We believe consensus does not fully reflect the durability of McKesson's revenue shift, sustained ROIC outperformance, and disciplined capital allocation.

KEYS TO MONITOR

Our thesis rests on McKesson's ability to compound earnings through specialty mix expansion, oncology platform growth, and sustained capital efficiency within a stable three-player oligopoly. Continued GLP-1 utilization, demographic tailwinds, and disciplined capital allocation remain central to long-term value creation.

Key factors to monitor include specialty growth durability, reimbursement and IRA-related policy developments, shifts in payer mix, and competitive contract renewals within the distribution channel. Additionally, operating margin stability and working capital discipline are critical in a thin-margin industry where small execution changes materially impact returns.

Overall, as McKesson sustains superior ROIC and converts modest revenue growth into durable cash flow expansion, our investment thesis remains intact.

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DISCLAIMER

McKesson Corporation
Revenue Decomposition
September 18, 2025 change

Fiscal Years Ending March 31	2024	2025 Q1	2025 Q2	2025 Q3	2025 Q4E	2025	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2026E	2027E	2028E	2029E	2030E	2031E
Segment Revenue:																
North American Pharmaceutical	261,368	66,348	80,018	81,198	76,943	304,507	82,729	86,481	88,322	84,480	342,012	368,596	394,589	419,338	444,420	467,379
YoY % Change						*16.5%*	*24.7%*	*8.1%*	*8.8%*	*9.8%*	*12.3%*	*7.8%*	*7.1%*	*6.3%*	*6.0%*	*5.2%*
Oncology & Multispecialty	30,490	8,781	9,157	9,493	9,431	36,862	10,658	12,044	13,010	12,580	48,292	55,101	61,162	67,156	73,200	79,056
YoY % Change						*20.9%*	*21.4%*	*31.5%*	*37.0%*	*33.4%*	*31.0%*	*14.1%*	*11.0%*	*9.8%*	*9.0%*	*8.0%*
Medical-Surgical Solutions	11,309	2,632	2,946	2,949	2,853	11,386	2,701	2,947	2,991	2,990	11,629	11,745	11,863	11,981	12,101	12,222
YoY % Change						*0.7%*	*2.6%*	*0.0%*	*1.4%*	*4.8%*	*2.1%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Prescription Technology Solutions	4,769	1,241	1,265	1,371	1,339	5,216	1,434	1,376	1,500	1,500	5,810	6,397	7,011	7,663	8,353	9,071
YoY % Change						*9.4%*	*15.6%*	*8.8%*	*9.4%*	*12.0%*	*11.4%*	*10.1%*	*9.6%*	*9.3%*	*9.0%*	*8.6%*
Other/ Corporate Revenue (Expense)	1,015	281	265	283	257	1,080	(235)	302	335	-						
Total Revenue	**308,951**	**79,283**	**93,651**	**95,294**	**90,823**	**359,051**	**97,287**	**103,150**	**106,158**	**106,158**	**407,743**	**441,839**	**474,625**	**506,138**	**538,074**	**567,729**
YoY % Change						*16.2%*	*22.7%*	*10.1%*	*11.4%*	*16.9%*	*13.6%*	*8.4%*	*7.4%*	*6.6%*	*6.3%*	*5.5%*
Street Estimates											408,698	442,197	478,402	504,605	533,296	571,498
North American Pharma:																
GLP-1 Revenue	29,078	8,800	10,400	10,900	10,900	41,000	12,100	13,200	14,000	14,000	53,300	63,427	72,941	80,965	89,466	97,518
YoY % Change						*41.0%*	*37.5%*	*26.9%*	*26.0%*	*28.4%*	*30.0%*	*19.0%*	*15.0%*	*11.0%*	*10.5%*	*9.0%*
Core Pharma Revenue	232,290	57,548	69,618	70,298	66,043	263,507	70,629	73,281	74,322	70,480	288,712	305,169	321,648	338,373	354,954	369,862
YoY % Change						*13.4%*	*22.7%*	*5.3%*	*5.7%*	*6.7%*	*9.6%*	*5.7%*	*5.4%*	*5.2%*	*4.9%*	*4.2%*
GLP-1 % Exposure	**11.1%**	**13.3%**	**13.0%**	**13.4%**	**14.2%**	**13.5%**	**14.6%**	**15.3%**	**15.9%**	**16.6%**	**15.6%**	**17.2%**	**18.5%**	**19.3%**	**20.1%**	**20.9%**
GLP-1 % Exposure - Total Revenue	**9.4%**	**11.1%**	**11.1%**	**11.4%**	**12.0%**	**11.4%**	**12.4%**	**12.8%**	**13.2%**	**13.2%**	**13.1%**	**14.4%**	**15.4%**	**16.0%**	**16.6%**	**17.2%**
Revenue Mix:																
North American Pharmaceutical	**84.60%**	**83.69%**	**85.44%**	**85.21%**	**84.72%**	**84.81%**	**85.04%**	**83.84%**	**83.20%**	**79.58%**	**83.88%**	**83.42%**	**83.14%**	**82.85%**	**82.59%**	**82.32%**
Oncology & Multispecialty	**9.87%**	**11.08%**	**9.78%**	**9.96%**	**10.38%**	**10.27%**	**10.96%**	**11.68%**	**12.26%**	**11.85%**	**11.84%**	**12.47%**	**12.89%**	**13.27%**	**13.60%**	**13.93%**
Medical-Surgical Solutions	**3.66%**	**3.32%**	**3.15%**	**3.09%**	**3.14%**	**3.17%**	**2.78%**	**2.86%**	**2.82%**	**2.82%**	**2.85%**	**2.66%**	**2.50%**	**2.37%**	**2.25%**	**2.15%**
Prescription Technology Solutions	**1.54%**	**1.57%**	**1.35%**	**1.44%**	**1.47%**	**1.45%**	**1.47%**	**1.33%**	**1.41%**	**1.41%**	**1.42%**	**1.45%**	**1.48%**	**1.51%**	**1.55%**	**1.60%**

McKesson Corporation
Income Statement
in $ millions

Fiscal Years Ending March 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Total Revenue	**276,711**	**308,951**	**359,051**	**407,743**	**441,839**	**474,625**	**506,138**	**538,074**	**567,729**
Cost of product sold (excluding D&A)	(263,869)	(295,621)	(345,260)	(392,102)	(424,912)	(456,466)	(486,799)	(517,541)	(546,093)
Depreciation	(248)	(253)	(242)	(296)	(335)	(376)	(418)	(460)	(504)
Amortization	(236)	(249)	(226)	(242)	(288)	(283)	(281)	(277)	(271)
Gross Profit	**12,358**	**12,828**	**13,323**	**15,103**	**16,304**	**17,500**	**18,641**	**19,795**	**20,862**
SG&A	(7,776)	(8,657)	(8,507)	(9,538)	(10,203)	(10,818)	(11,385)	(11,941)	(12,429)
Claims and litigation charges, net	8	(147)	(108)	(112)	(122)	(131)	(140)	(148)	(156)
Restructuring, impairment, and related charges, net	(209)	(115)	(286)	(377)	(409)	(439)	(468)	(498)	(525)
Goodwill impairment charges	-	-	-	-	-	-	-	-	-
Total Operating Expenses	**(7,977)**	**(8,919)**	**(8,901)**	**(10,028)**	**(10,734)**	**(11,388)**	**(11,992)**	**(12,588)**	**(13,111)**
EBIT (Operating Income)	**4,381**	**3,909**	**4,422**	**5,075**	**5,570**	**6,112**	**6,649**	**7,208**	**7,751**
Other income, net	497	132	202	202	202	202	202	202	202
Interest expense	(248)	(252)	(265)	(266)	(309)	(309)	(309)	(309)	(309)
Equity charges from investment in Change Healthcare JV	-	-	-	-	-	-	-	-	-
Loss on debt distinguishment	-	-	-	-	-	-	-	-	-
EBT	**4,630**	**3,789**	**4,359**	**5,011**	**5,463**	**6,006**	**6,542**	**7,101**	**7,644**
Income tax benefit (expense)	(905)	(629)	(878)	(940)	(1,025)	(1,127)	(1,227)	(1,332)	(1,434)
Income (loss) from discontinued operations, net of tax	(3)	-	-	-	-	-	-	-	-
Net Income	**3,722**	**3,160**	**3,481**	4,071	4,438	4,879	5,314	5,769	6,210
Noncontrolling interests	(162)	(158)	(186)	(240)	(262)	(288)	(313)	(340)	(366)
Net Income attributable to McKesson Corp.	**3,560**	**3,002**	**3,295**	**3,831**	**4,176**	**4,591**	**5,001**	**5,429**	**5,844**
Weighted-average common shares outstanding - Diluted	142	134	128	126	122	119	116	112	108
EPS	**$ 25.03**	**$ 22.39**	**$ 25.72**	**$ 30.52**	**$ 34.15**	**$ 38.59**	**$ 43.23**	**$ 48.49**	**$ 54.02**

McKesson Corporation
Balance Sheet
in $ millions

Fiscal Years Ending March 31	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**
Cash and cash equivalents	4,678	4,583	5,691	3,231	4,387	5,565	6,894	7,837	8,754
Receivables, net	19,410	21,622	25,643	28,941	31,362	33,691	35,930	38,199	40,307
Inventories, net	19,691	21,139	23,001	28,181	30,540	32,807	34,988	37,197	39,249
Assets held for sale	-	-	-	-	-	-	-	-	-
Prepaid expenses and other	513	626	1,063	1,067	1,156	1,242	1,325	1,408	1,486
Total current assets	**44,292**	**47,970**	**55,398**	**61,420**	**67,446**	**73,307**	**79,137**	**84,642**	**89,796**
Property, plant and equipment, net	2,177	2,316	2,502	2,834	3,178	3,533	3,894	4,262	4,631
Operating lease right-of-use assets	1,635	1,729	1,782	2,276	2,467	2,650	2,826	3,004	3,170
Goodwill	9,947	10,132	10,022	11,324	11,324	11,324	11,324	11,324	11,324
Intangible assets, net	2,277	2,110	1,464	4,106	3,818	3,535	3,254	2,977	2,706
Other noncurrent assets	1,992	3,186	3,972	3,836	4,156	4,465	4,761	5,062	5,341
Total assets	**62,320**	**67,443**	**75,140**	**85,796**	**92,390**	**98,813**	**105,196**	**111,270**	**116,968**
Drafts and accounts payable	42,490	47,097	55,330	62,031	67,222	72,213	77,012	81,876	86,393
Current portion of LT debt	968	50	1,191	1,184	1,228	384	1,011	725	1,122
Current portion of operating lease liabilities	299	295	258	404	437	470	501	533	562
Liabilities held for sale	5	-	-	-	-	-	-	-	-
Other accrued liabilities	4,195	4,915	4,825	6,049	6,555	7,041	7,509	7,983	8,423
Total current liabilities	**47,957**	**52,357**	**61,604**	**69,668**	**75,442**	**80,109**	**86,033**	**91,116**	**96,499**
LT debt	4,626	5,579	4,463	5,373	5,329	6,173	5,546	5,832	5,435
LT deferred tax liabilities	1,387	917	1,029	1,169	1,266	1,360	1,451	1,542	1,627
LT operating lease liabilities	1,402	1,466	1,478	1,923	2,084	2,239	2,388	2,538	2,678
LT litigation liabilities	6,625	6,113	5,601	5,601	5,601	5,601	5,601	5,601	5,601
Other noncurrent liabilities	1,813	2,610	2,659	2,897	3,139	3,372	3,596	3,823	4,034
Redeemable noncontrolling interests	-	-	-	-	-	-	-	-	-
Total liabilities	**63,810**	**69,042**	**76,834**	**86,631**	**92,862**	**98,854**	**104,615**	**110,452**	**115,874**
Common Equity	7,750	8,051	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Retained Earnings	12,295	14,978	17,921	21,380	25,151	29,296	33,811	38,713	43,989
Accumulated other comprehensive loss / income	(905)	(881)	(932)	(932)	(932)	(932)	(932)	(932)	(932)
Treasury shares, at cost	(20,997)	(24,119)	(27,439)	(30,039)	(33,447)	(37,161)	(41,054)	(45,719)	(50,719)
Total McKesson Corporation stockholders' equity (deficit)	**(1,857)**	**(1,971)**	**(2,074)**	**(1,215)**	**(852)**	**(421)**	**201**	**438**	**714**
Noncontrolling interests	367	372	380	380	380	380	380	380	380
Total equity (deficit)	**(1,490)**	**(1,599)**	**(1,694)**	**(835)**	**(472)**	**(41)**	**581**	**818**	**1,094**
Total liabilities and equity	**62,320**	**67,443**	**75,140**	**85,796**	**92,390**	**98,813**	**105,196**	**111,270**	**116,968**
Check	-	-	-	-	-	-	-	-	-
Net Working Capital	(3,665)	(4,387)	(6,206)	(8,248)	(7,996)	(6,802)	(6,896)	(6,474)	(6,703)

McKesson Corporation
Value Driver Estimation

Fiscal Years Ending March 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
NOPLAT:									
Revenue	276,711	308,951	359,051	407,743	441,839	474,625	506,138	538,074	567,729
Less: D&A	(484)	(502)	(468)	(538)	(623)	(659)	(699)	(737)	(774)
Less: Cost of Product Sold (ex. D&A)	(263,869)	(295,621)	(345,260)	(392,102)	(424,912)	(456,466)	(486,799)	(517,541)	(546,093)
Less: SG&A	(7,776)	(8,657)	(8,507)	(9,538)	(10,203)	(10,818)	(11,385)	(11,941)	(12,429)
Less: Litigation	8	(147)	(108)	(112)	(122)	(131)	(140)	(148)	(156)
Less: Restructuring	(209)	(115)	(286)	(377)	(409)	(439)	(468)	(498)	(525)
+ Implied Interest on Operating Leases	72	76	81	83	106	115	124	132	140
EBIT	**4,453**	**3,985**	**4,503**	**5,158**	**5,676**	**6,228**	**6,772**	**7,340**	**7,891**
Tax Rate	19.5%	16.6%	20.1%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%
Provision for Income Taxes	**905**	**629**	**878**	**940**	**1,025**	**1,127**	**1,227**	**1,332**	**1,434**
+ Tax Shield on Operating Leases	14	13	16	16	20	22	23	25	26
+ Tax Shield on Interest Expense	48	42	53	50	58	58	58	58	58
Less: Taxes on Other Income	(97)	(22)	(41)	(38)	(38)	(38)	(38)	(38)	(38)
Adjusted Taxes	**(870)**	**(662)**	**(907)**	**(968)**	**(1,065)**	**(1,168)**	**(1,271)**	**(1,377)**	**(1,481)**
Changes in Deferred Taxes	(31)	(470)	112	140	98	94	90	92	85
NOPLAT	**3,552**	**2,854**	**3,708**	**4,330**	**4,709**	**5,153**	**5,592**	**6,054**	**6,495**
Invested Capital (IC):									
Normal Cash	3,703	4,134	4,804	3,231	4,387	5,565	6,772	7,200	7,597
Receivables	19,410	21,622	25,643	28,941	31,362	33,691	35,930	38,199	40,307
Inventories	19,691	21,139	23,001	28,181	30,540	32,807	34,988	37,197	39,249
Prepaid Expenses	513	626	1,063	1,067	1,156	1,242	1,325	1,408	1,486
Operating Current Assets	**43,317**	**47,521**	**54,511**	**61,420**	**67,446**	**73,307**	**79,015**	**84,004**	**88,638**
Accounts Payable	42,490	47,097	55,330	62,031	67,222	72,213	77,012	81,876	86,393
Other Accrued Liabilities	4,195	4,915	4,825	6,049	6,555	7,041	7,509	7,983	8,423
Operating Current Liabilities	**46,685**	**52,012**	**60,155**	**68,080**	**73,777**	**79,255**	**84,521**	**89,858**	**94,815**
Operating WC	**(3,368)**	**(4,491)**	**(5,644)**	**(6,660)**	**(6,331)**	**(5,948)**	**(5,506)**	**(5,854)**	**(6,177)**
PPE, net	2,177	2,316	2,502	2,834	3,178	3,533	3,894	4,262	4,631
Operating ROU Assets	1,635	1,729	1,782	2,276	2,467	2,650	2,826	3,004	3,170
Goodwill	9,947	10,132	10,022	11,324	11,324	11,324	11,324	11,324	11,324
Other Intangible Assets	2,277	2,110	1,464	4,106	3,818	3,535	3,254	2,977	2,706
Other Assets	1,992	3,186	3,972	3,836	4,156	4,465	4,761	5,062	5,341
Invested Capital	**14,660**	**14,982**	**14,098**	**17,716**	**18,613**	**19,558**	**20,553**	**20,775**	**20,995**
Free Cash Flow (FCF):									
NOPLAT		2,854	3,708	4,330	4,709	5,153	5,592	6,054	6,495
Change in IC		322	(884)	3,617	897	945	995	222	221
FCF		**2531**	**4591**	**713**	**3811**	**4208**	**4597**	**5833**	**6275**
Return on Invested Capital (ROIC):									
NOPLAT		2,854	3,708	4,330	4,709	5,153	5,592	6,054	6,495
Beginning IC		14,660	14,982	14,098	17,716	18,613	19,558	20,553	20,775
ROIC		**19%**	**25%**	**31%**	**27%**	**28%**	**29%**	**29%**	**31%**
Economic Profit (EP):									
Beginning IC		14,660	14,982	14,098	17,716	18,613	19,558	20,553	20,775
x (ROIC - WACC)	-6.01%	13.46%	18.74%	24.70%	20.57%	21.67%	22.58%	23.45%	25.26%
EP	**0**	**1973**	**2807**	**3483**	**3644**	**4034**	**4416**	**4819**	**5247**

McKesson Corporation
Historical Cash Flow Statement
in $ millions

Fiscal Years Ending March 31	2020	2021	2022	2023	2024	2025
Cash Flow from Operations						
Net income / loss	1,120	(4,340)	1,287	3,722	3,160	3,481
Adjustments to reconcile net cash provided by operating activities:						
Depreciation	321	321	279	248	253	242
Amortization	601	566	481	360	382	394
Goodwill and long-lived asset impairment charges	139	242	175	72	43	98
Equity earnings and charges from investment in Change Healthcare JV	1,084	-	-	-	-	-
Deferred taxes	(342)	(908)	34	(20)	(603)	(110)
Charges (credits) associated with last-in-first-out inventory method	(252)	(38)	(23)	1	(157)	82
Non-cash operating lease expense	366	334	241	249	228	245
Loss / gain from sale of businesses and equity investments	33	(9)	(132)	(211)	(17)	485
European businesses held for sale	-	-	1,509	-	-	-
Provision for bad debts	-	-	26	45	819	(130)
Other non-cash items	615	188	475	253	233	424
Changes in assets and liabilities, net of acquisitions:						
Receivables	(2,494)	1,145	(1,843)	(1,082)	(2,954)	(3,935)
Inventories	(376)	(2,276)	(1,169)	(1,259)	(1,294)	(2,270)
Drafts and accounts payable	3,952	1,267	2,802	3,788	4,587	8,301
Operating lease liabilities	(377)	(362)	(356)	(338)	(339)	(404)
Taxes	(8)	(166)	243	363	331	(136)
Litigation liabilities	-	8,067	199	(1,088)	(395)	(401)
Other	(8)	511	206	56	37	(281)
Net cash provided (used) in operating	**4,374**	**4,542**	**4,434**	**5,159**	**4,314**	**6,085**
Cash Flow from Investing						
Payments for property, plant and equipment	(362)	(451)	(388)	(390)	(431)	(537)
Capitalized software expenditures	(144)	(190)	(147)	(168)	(256)	(322)
Acquisitions, net of cash and cash equivalents acquired	(133)	(35)	(6)	(867)	(272)	(24)
Proceeds from sales of businesses and investments, net	37	400	578	1,077	47	179
Other	23	(139)	(126)	(194)	(160)	(29)
Net cash provided (used) in investing	**(579)**	**(415)**	**(89)**	**(542)**	**(1,072)**	**(733)**
Cash Flow from Financing						
Proceeds from ST borrowings	21,437	6,323	11,192	8,450	19,964	15,086
Repayments of ST borrowings	(21,437)	(6,323)	(11,192)	(8,450)	(19,964)	(15,086)
Proceeds from LT debt	-	500	498	997	991	498
Repayments of LT debt	(298)	(1,040)	(1,648)	(1,274)	(288)	(519)
Payments for debt extinguishments	-	-	(184)	-	-	-
Purchase of government obligations	-	-	-	-	(647)	-
Common stock issuances	113	92	220	163	116	101
Common stock repurchases	(1,934)	(742)	(3,516)	(3,638)	(3,025)	(3,146)
Dividends paid	(294)	(276)	(277)	(292)	(314)	(345)
Exercise of put right by noncontrolling shareholders of McKesson Europe AG	(3)	(49)	(1,031)	-	-	-
Other	(318)	(178)	(383)	(324)	(175)	(554)
Net cash provided (used) in financing	**(2,734)**	**(1,693)**	**(6,321)**	**(4,368)**	**(3,342)**	**(3,965)**
Exchange rate effect	(19)	(61)	55	25	6	(16)
Cash classified as assets held for sale	-	-	(540)	470	-	-
Change in Cash	**1,042**	**2,373**	**(2,461)**	**744**	**(94)**	**1,371**
Cash - Beginning 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**	**5,956**
Less: Restricted cash at year-end included in prepaid expenses & other	(8)	(118)	(403)	(1)	(2)	(265)
Cash - End of Period	4,015	6,278	3,532	4,678	4,583	5,691
BS Cash	4015	6278	3532	4678	4583	5691
check	-	-	-	-	-	-

McKesson Corporation

Forecasted Cash Flow Statement

Fiscal Years Ending March 31	2026E	2027E	2028E	2029E	2030E	2031E
Cash Flow from Operations						
Net income (loss)	4,071	4,438	4,879	5,314	5,769	6,210
Adjustments to reconcile net cash provided by operating activities:						
Depreciation	296	335	376	418	460	504
Amortization of intangibles	242	288	283	281	277	271
Receivables	(3,298)	(2,422)	(2,329)	(2,239)	(2,269)	(2,107)
Inventories	(5,180)	(2,358)	(2,268)	(2,180)	(2,209)	(2,052)
Prepaid expenses and other	(4)	(89)	(86)	(82)	(84)	(78)
Other assets	136	(321)	(308)	(296)	(300)	(279)
Drafts and accounts payable	6,701	5,191	4,992	4,799	4,863	4,517
Current portion of operating lease liabilities	146	34	32	31	32	29
Other accrued liabilities	1,224	506	486	468	474	440
LT deferred tax liabilities	140	98	94	90	92	85
LT operating lease liabilities	445	161	155	149	151	140
Other liabilities	238	242	233	224	227	211
Net cash provided (used) in operating	**5,156**	**6,102**	**6,539**	**6,975**	**7,481**	**7,890**
Cash Flow from Investing						
PPE, gross	(627)	(680)	(730)	(779)	(828)	(873)
Operating lease ROU assets	(494)	(190)	(183)	(176)	(178)	(166)
Goodwill	(1,302)	-	-	-	-	-
Intangible Assets, gross	(2,884)	-	-	-	-	-
Net cash provided (used) in investing	**(5,308)**	**(870)**	**(913)**	**(955)**	**(1,006)**	**(1,039)**
Cash Flow from Financing						
Current Portion of LT debt	(7)	44	(844)	627	(286)	397
LT debt	910	(44)	844	(627)	286	(397)
Share repurchases	(2,600)	(3,408)	(3,714)	(3,893)	(4,665)	(5,000)
Noncontrolling interest	(240)	(262)	(288)	(313)	(340)	(366)
Dividends	(372)	(406)	(446)	(486)	(527)	(567)
Net cash provided (used) in financing	**(2,309)**	**(4,075)**	**(4,447)**	**(4,692)**	**(5,532)**	**(5,934)**
Change in Cash	**(2,460)**	**1,157**	**1,178**	**1,329**	**943**	**917**
Cash - Beginning Period	**5,691**	**3,231**	**4,387**	**5,565**	**6,894**	**7,837**
Cash - End of Period	3,231	4,387	5,565	6,894	7,837	8,754
BS Cash						
check						

McKesson Corporation

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

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	31%
WACC	6.01%
Cost of Equity	6.15%

Fiscal Years Ending March 31	2026E	2027E	2028E	2029E	2030E	2031E
DCF Model:						
Free Cash Flow (FCF)	713	3,811	4,208	4,597	5,833	6,275
Continuing Value (CV)						164,456
PV of FCF	672	3,391	3,532	3,640	4,356	122,831

Value of Operating Assets:	138,424
Non-Operating Adjustments	
Excess Cash	887
Total Debt	(5,654)
Noncontrolling Interest	(380)
Operating Lease Liabillities	(1,736)
Value of Equity	131,540
Shares Outstanding	128.1
Intrinsic Value of Last FYE	$ 1,026.86
Implied Price as of Today	$ 1,081.06

McKesson Corporation

Relative Valuation Models

Ticker	Company	Price	EPS 2026E	EPS 2027E	P/E 26
CAH	Cardinal Health Inc	$224.82	$8.20	$9.48	27.42
COR	Cencora Inc	$366.03	$14.23	$16.99	25.72
				Average	26.57
MCK	McKesson Corporatior	$986.60	$ 30.52	$ 34.15	32.3

Implied Relative Value:

P/E (EPS26)	**$ 810.97**

McKesson Corporation

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*
Risk-Free Rate	4.10%	*10-year Treasury*
Beta	0.41	*5-year monthly raw*
Equity Risk Premium	5.00%	*Henry Fund estimate*
Cost of Equity	**6.15%**	
Cost of Debt:		
Risk-Free Rate	4.10%	*10-year Treasury*
Implied Default Premium	0.57%	
Pre-Tax Cost of Debt	4.67%	*YTM on MCK 10-yr corporate bond*
Marginal Tax Rate	24%	
After-Tax Cost of Debt	**3.55%**	

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	127.4	
Current Stock Price	$986.60	
MV of Equity	**125,692.84**	94.63%
Market Value of Debt:		
Short-Term Debt	0	
Current Portion of LTD	1191	
Long-Term Debt	4463	
PV of Operating Leases	1478	
MV of Total Debt	**7,132.00**	5.37%
Market Value of the Firm	**132,824.84**	100.00%

Estimated WACC	**6.01%**

McKesson Corporation
Common Size Income Statement
as % total revenue

Fiscal Years Ending March 31	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Total Revenue	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Cost of product sold (excluding D&A)	-94.79%	-95.36%	-95.69%	-96.16%	-96.16%	-96.17%	-96.17%	-96.18%	-96.18%	-96.19%
Depreciation	-0.11%	-0.09%	-0.08%	-0.07%	-0.07%	-0.08%	-0.08%	-0.08%	-0.09%	-0.09%
Amortization	-0.13%	-0.09%	-0.08%	-0.06%	-0.06%	-0.07%	-0.06%	-0.06%	-0.05%	-0.05%
Gross Profit	**4.97%**	**4.47%**	**4.15%**	**3.71%**	**3.70%**	**3.69%**	**3.69%**	**3.68%**	**3.68%**	**3.67%**
SG&A	-3.99%	-2.81%	-2.80%	-2.37%	-2.34%	-2.31%	-2.28%	-2.25%	-2.22%	-2.19%
Claims and litigation charges, net	-0.10%	0.00%	-0.05%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%
Restructuring, impairment, and related charges, net	-0.11%	-0.08%	-0.04%	-0.08%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%
Goodwill impairment charges	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Operating Expenses	**-4.20%**	**-2.88%**	**-2.89%**	**-2.48%**	**-2.46%**	**-2.43%**	**-2.40%**	**-2.37%**	**-2.34%**	**-2.31%**
EBIT (Operating Income)	**0.77%**	**1.58%**	**1.27%**	**1.23%**	**1.24%**	**1.26%**	**1.29%**	**1.31%**	**1.34%**	**1.37%**
Other income, net	0.10%	0.18%	0.04%	0.06%	0.05%	0.05%	0.04%	0.04%	0.04%	0.04%
Interest expense	-0.07%	-0.09%	-0.08%	-0.07%	-0.07%	-0.07%	-0.07%	-0.06%	-0.06%	-0.05%
Equity charges from 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%
Loss on debt distinguishment	-0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EBT	**0.73%**	**1.67%**	**1.23%**	**1.21%**	**1.23%**	**1.24%**	**1.27%**	**1.29%**	**1.32%**	**1.35%**
Income tax benefit (expense)	**-0.24%**	**-0.33%**	**-0.20%**	**-0.24%**	**-0.23%**	**-0.23%**	**-0.24%**	**-0.24%**	**-0.25%**	**-0.25%**
Income (loss) from discontinued operations, net of tax	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Noncontrolling interests	-0.07%	-0.06%	-0.05%	-0.05%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%
Net Income	**0.42%**	**1.29%**	**0.97%**	**0.92%**	**0.94%**	**0.95%**	**0.97%**	**0.99%**	**1.01%**	**1.03%**

McKesson Corporation
Common Size Balance Sheet
as % total revenue

Fiscal Years Ending March 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Cash and cash equivalents	1.69%	1.48%	1.59%	0.79%	0.99%	1.17%	1.36%	1.46%	1.54%
Receivables, net	7.01%	7.00%	7.14%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%
Inventories, net	7.12%	6.84%	6.41%	6.91%	6.91%	6.91%	6.91%	6.91%	6.91%
Assets held for sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prepaid expenses and other	0.19%	0.20%	0.30%	0.26%	0.26%	0.26%	0.26%	0.26%	0.26%
Total current assets	**16.01%**	**15.53%**	**15.43%**	**15.06%**	**15.26%**	**15.45%**	**15.64%**	**15.73%**	**15.82%**
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Property, plant and equipment, net	0.79%	0.75%	0.70%	0.69%	0.72%	0.74%	0.77%	0.79%	0.82%
Operating lease right-of-use assets	0.59%	0.56%	0.50%	0.56%	0.56%	0.56%	0.56%	0.56%	0.56%
Goodwill	3.59%	3.28%	2.79%	2.78%	2.56%	2.39%	2.24%	2.10%	1.99%
Intangible assets, net	0.82%	0.68%	0.41%	1.01%	0.86%	0.74%	0.64%	0.55%	0.48%
Other noncurrent assets	0.72%	1.03%	1.11%	0.94%	0.94%	0.94%	0.94%	0.94%	0.94%
Total assets	**22.52%**	**21.83%**	**20.93%**	**21.04%**	**20.91%**	**20.82%**	**20.78%**	**20.68%**	**20.60%**
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Drafts and accounts payable	15.36%	15.24%	15.41%	15.21%	15.21%	15.21%	15.22%	15.22%	15.22%
Current portion of LT debt	0.35%	0.02%	0.33%	0.29%	0.28%	0.08%	0.20%	0.13%	0.20%
Current portion of operating lease liabilities	0.11%	0.10%	0.07%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Liabilities held for sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other accrued liabilities	1.52%	1.59%	1.34%	1.48%	1.48%	1.48%	1.48%	1.48%	1.48%
Total current liabilities	**17.33%**	**16.95%**	**17.16%**	**17.09%**	**17.07%**	**16.88%**	**17.00%**	**16.93%**	**17.00%**
LT debt	1.67%	1.81%	1.24%	1.32%	1.21%	1.30%	1.10%	1.08%	0.96%
LT deferred tax liabilities	0.50%	0.30%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%	0.29%
LT operating lease liabilities	0.51%	0.47%	0.41%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%
LT litigation liabilities	2.39%	1.98%	1.56%	1.37%	1.27%	1.18%	1.11%	1.04%	0.99%
Other noncurrent liabilities	0.66%	0.84%	0.74%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%
Redeemable noncontrolling interests	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total liabilities	**23.06%**	**22.35%**	**21.40%**	**21.25%**	**21.02%**	**20.83%**	**20.67%**	**20.53%**	**20.41%**
Common Equity	2.80%	2.61%	2.33%	2.05%	1.90%	1.76%	1.65%	1.56%	1.48%
Retained Earnings	4.44%	4.85%	4.99%	5.24%	5.69%	6.17%	6.68%	7.19%	7.75%
Accumulated other comprehensive loss / income	-0.33%	-0.29%	-0.26%	-0.23%	-0.21%	-0.20%	-0.18%	-0.17%	-0.16%
Treasury shares, at cost	-7.59%	-7.81%	-7.64%	-7.37%	-7.57%	-7.83%	-8.11%	-8.50%	-8.93%
Total McKesson Corporation stockholders' equity (deficit)	**-0.67%**	**-0.64%**	**-0.58%**	**-0.30%**	**-0.19%**	**-0.09%**	**0.04%**	**0.08%**	**0.13%**
Noncontrolling interests	0.13%	0.12%	0.11%	0.09%	0.09%	0.08%	0.08%	0.07%	0.07%
Total equity (deficit)	**-0.54%**	**-0.52%**	**-0.47%**	**-0.20%**	**-0.11%**	**-0.01%**	**0.11%**	**0.15%**	**0.19%**
Total liabilities and equity	**22.52%**	**21.83%**	**20.93%**	**21.04%**	**20.91%**	**20.82%**	**20.78%**	**20.68%**	**20.60%**

McKesson Corporation

Sensitivity Tables

Yearly COGS Improvement (Regression)

SG&A Variation

1,027.04	-0.015%	-0.010%	-0.005%	0.00%	0.005%	0.010%	0.015%
-0.02%	904.15	908.63	913.06	917.43	921.75	926.03	930.27
-0.01%	913.06	917.43	921.75	926.03	930.27	934.46	938.62
0.00%	921.75	926.03	930.27	934.46	938.62	944.06	983.72
0.01%	930.27	934.46	938.62	944.61	983.86	1,005.29	1,026.75
0.02%	938.62	945.15	984.01	1,005.43	1,026.90	1,048.37	1,069.85
0.03%	984.15	1,005.58	1,027.04	1,048.52	1,070.00	1,091.48	1,112.97
0.04%	1,027.18	1,048.66	1,070.14	1,091.63	1,113.11	1,134.60	1,156.08

CV Growth Rate

WACC

1,027.04	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
5.25%	1,083.61	1,142.03	1,210.18	1,290.72	1,387.37	1,505.50	1,653.15
5.50%	1,015.83	1,065.37	1,122.55	1,189.24	1,268.07	1,362.66	1,478.28
5.75%	956.54	998.97	1,047.46	1,103.41	1,168.68	1,245.83	1,338.40
6.01%	902.29	938.71	979.99	1,027.13	1,081.52	1,144.93	1,219.83
6.25%	857.80	889.66	925.51	966.14	1,012.57	1,066.15	1,128.65
6.50%	816.26	844.15	875.33	910.40	950.16	995.59	1,048.01
6.75%	778.89	803.45	830.74	861.25	895.56	934.46	978.90