

Q1 FY2018

Financial Results

February 6, 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,” “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: 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 a prolonged suspension 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, 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

Q1 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
 - Continued Generics volume growth – significantly increasing customer compliance
 - Acquisition of H. D. Smith strengthens core distribution business and expands customer base
 - Continued leadership and innovation in Specialty services and distribution
 - Managing challenges at PharMEDium and Lash Group
- **Stable pricing and competitive market**
 - Generic buy-side deflation and Brand inflation in line with FY2018 expectations
 - No major contract renewals in FY2018
 - Customer contract rebalancing efforts progressing smoothly
- Business positioned for **long-term growth**
 - Tax reform benefits enhance ability to invest, innovate and deliver shareholder value

Q1 FY2018 Financial Results

	GAAP	Adjusted (Non-GAAP) ¹
Revenue <i>% Change (Year-over-Year)</i>	\$40.5B 6%	\$40.5B 6%
Gross Profit <i>% Change</i>	\$1.1B 7%	\$1.1B 5%
Operating Expenses <i>% Change</i>	\$694M 9%	\$625M 8%
Operating Income <i>% Change</i>	\$419M 5%	\$488M -%
Interest Expense, Net <i>% Change</i>	\$36M (3)%	\$36M 3%
Tax Rate	(140.1)%	24.2%
Diluted Shares Outstanding <i>% Change</i>	221M (1)%	221M (1)%
Diluted Earnings Per Share <i>% Change</i>	\$3.90 251%	\$1.55 14%

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.

Q1 FY2018 Financial Results: Pharmaceutical Distribution Services Segment

	Q1 FY2018	Q1 FY2017
Revenue	\$38.9B	\$36.8B
Operating Income	\$388M	\$379M
<i>Percentages of Revenue</i>		
Gross Profit	2.04%	2.05%
Operating Expenses	1.04%	1.02%
Operating Income	1.00%	1.03%

- Strong growth from large anchor customers – continue to outpace the overall U.S. pharmaceutical market
 - Rite Aid stores acquired by Walgreens ramping through spring 2018
- Generic volume growth continues – increased compliance from existing customers
- Specialty distribution revenue grew >10%
 - 16th consecutive quarter of 10% or greater revenue growth; driven by strong performance and increased volumes, especially in oncology and ophthalmology
- Acquisition of H. D. Smith – completed January 2018 – further strengthens core capabilities, adds to diversified customer base

Q1 FY2018 Financial Results: Other Businesses – Global Commercialization Services & Animal Health

	Q1 FY2018	Q1 FY2017
Revenue	\$1.5B	\$1.4B
Operating Income	\$100M	\$107M
<i>Percentages of Revenue</i>		
Gross Profit	20.75%	22.36%
Operating Expenses	14.26%	14.63%
Operating Income	6.49%	7.74%

- World Courier – strong performance with record setting quarter for both shipments and billable weight
- MWI – revenue growth driven by strong U.S. companion animal market; challenging year-over-year comp and Q1 product mix, but key initiatives place business on-track with full year expectations
- Consulting – continued market leadership; slower than anticipated ramp / onboarding of customers to Fusion technology platform at the Lash Group

FY2018: 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	6% to 8%
Operating Income Growth	1% to 4%
Effective Tax Rate	23% to 24%
Free Cash Flow	\$1.35B to \$1.6B
Capital Expenditures	~\$325M
<i><u>Working Assumptions</u></i>	
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 The adjusted non-GAAP guidance for diluted earnings per share, operating expense growth, operating income, and effective tax rate exclude the same or similar items as excluded from the historical non-GAAP financial measures, as well as significant items that outside the control of the company or inherently unusual, non-operating, unpredictable, non-recurring or non-cash in nature. For fiscal year 2018, we have defined the non-GAAP financial measure of free cash flow as 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 Company does not provide forward-looking guidance on a GAAP basis as certain financial information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated. For more information related to non-GAAP financial measures, refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" of the Company's most recent Current Report on Form 8-K furnished under Item 2.02.

Appendix

Appendix

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

Three Months Ended December 31, 2017

	Gross Profit	Operating Expenses	Operating Income	Interest Expense, Net	Loss on Early Retirement of Debt	Income Before Income Taxes	Income Tax (Benefit) Expense	Net Income	Diluted Earnings Per Share
GAAP	\$ 1,112,652	\$ 693,679	\$ 418,973	\$ 35,864	\$ 23,766	\$ 359,019	\$ (502,834)	\$ 861,853	\$ 3.90
Acquisition-related intangibles amortization	—	(39,056)	39,056	—	—	39,151	10,435	28,716	0.13
Employee severance, litigation, and other	—	(30,021)	30,021	—	—	30,021	8,001	22,020	0.10
Loss on early retirement of debt	—	—	—	—	(23,766)	23,766	6,334	17,432	0.08
Tax reform ¹	—	—	—	—	—	—	587,595	(587,595)	(2.66)
Adjusted Non-GAAP	\$ 1,112,652	\$ 624,602	\$ 488,050	\$ 35,864	\$ —	\$ 451,957	\$ 109,531	\$ 342,426	\$ 1.55
Adjusted Non-GAAP % changes vs. prior year quarter	4.5%	8.0%	0.4%	3.0%	—%	0.1%	(26.8)%	13.4%	14.0%
Percentages of Revenue:	GAAP	Adjusted Non-GAAP							
Gross profit	2.75%	2.75%							
Operating expenses	1.71%	1.54%							
Operating income	1.04%	1.21%							

¹ Includes the impact of applying a lower U.S. federal income tax rate to the Company's net deferred tax liabilities as of December 31, 2017, offset in part by a one-time transition tax on historical foreign earnings and profits through December 31, 2017.

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

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

Three Months Ended December 31, 2016

	Gross Profit	Operating Expenses	Operating Income	Interest Expense, Net	Income Before Income Taxes	Income Tax Expense	Net Income	Diluted Earnings Per Share
GAAP	\$ 1,037,680	\$ 637,693	\$ 399,987	\$ 36,972	\$ 363,138	\$ 115,892	\$ 247,246	\$ 1.11
Warrants expense ¹	—	—	—	(2,155)	2,155	821	1,334	0.01
Gain from antitrust litigation settlements	(1,395)	—	(1,395)	—	(1,395)	(531)	(864)	—
LIFO expense	28,308	—	28,308	—	28,308	10,776	17,532	0.08
Acquisition-related intangibles amortization	—	(38,229)	38,229	—	38,322	14,588	23,734	0.11
Employee severance, litigation, and other	—	(21,066)	21,066	—	21,066	8,020	13,046	0.06
Adjusted Non-GAAP	<u>\$ 1,064,593</u>	<u>\$ 578,398</u>	<u>\$ 486,195</u>	<u>\$ 34,817</u>	<u>\$ 451,594</u>	<u>\$ 149,566</u>	<u>\$ 302,028</u>	<u>\$ 1.36</u> ²
Percentages of Revenue:	GAAP	Adjusted Non-GAAP						
Gross profit	2.72%	2.79%						
Operating expenses	1.67%	1.52%						
Operating income	1.05%	1.27%						

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

² The sum of the components does not equal the total due to rounding.

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



AmerisourceBergen®

Where knowledge,
reach and partnership
shape healthcare delivery.