

Company	Ticker	Price	EPS	P/E	Credit Rating	Market Cap	Div Yield	ROE
McKesson	MCK	\$366.48	\$5.26	14.73x	Baa1 (Moody's)	\$51.49 Bn	.56%	(229.9)%

Business Overview:

McKesson is a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. The company partners with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products, and services to help make quality care more accessible and affordable.

Investment Thesis:

McKesson will continue to offer value to shareholders because it is a diverse company that offers many services through its various lines of business. The company is currently a leading medical distributor. The company has many growth prospects, specifically within its U.S. Pharmaceutical segment. The company has strategic alignment and portfolio streaming. McKesson also has return value to its shareholders.

Investment Risks:

Litigation Risk:

Further regulation of the company's distribution businesses and technology products and services may negatively impact margins, delay new products, or expose the company to investigations. Any non-compliance might have a materially adverse impact on McKesson

Revenue Concentration Risk:

Revenue earned from McKesson's largest customer, CVS, accounted for over 20% of the company's total 2022 revenues

Business Risk:

McKesson faces intense competition in the industry and their success is dependent on a strong customer and supplier base which may be costly to win, retain, and develop

Technology & Cybersecurity Risk:

A disruption, failure or breach of McKesson's networks or systems, including cyber-attacks, could harm the business

Intrinsic Valuation:

MCK US Equity	Historical Period					Current FY	Projection Period					Projection Period				
	FY18	FY19	FY20	FY21	FY22		FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Revenue	\$208,357	\$214,319	\$231,051	\$238,228	\$263,966	\$279,804	\$295,193	\$311,429	\$328,557	\$344,985	\$362,235	\$380,346	\$395,560	\$411,382	\$423,724	
% Growth	2.9%	7.8%	3.1%	10.8%	6.0%	5.5%	5.5%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	3.0%		
Cost of Sales	\$197,173	\$202,767	\$219,050	\$226,261	\$250,882	\$265,814	\$280,434	\$295,857	\$311,144	\$326,701	\$342,312	\$359,427	\$373,804	\$388,756	\$400,419	
% Margin	94.6%	94.6%	94.8%	95.0%	95.0%	95.0%	95.0%	95.0%	94.7%	94.7%	94.5%	94.5%	94.5%	94.5%		
Gross Profit	\$11,184	\$11,552	\$12,001	\$11,967	\$13,084	\$13,990	\$14,760	\$15,571	\$17,414	\$18,284	\$19,923	\$20,919	\$21,756	\$22,626	\$23,305	
% Margin	5.4%	5.4%	5.2%	5.0%	5.0%	5.0%	5.0%	5.0%	5.3%	5.3%	5.5%	5.5%	5.5%	5.5%		
SG&A Expense	\$8,138	\$8,437	\$9,182	\$8,849	\$10,537	\$10,633	\$11,070	\$11,679	\$12,321	\$12,937	\$13,584	\$14,263	\$14,834	\$15,427	\$15,890	
% Margin	3.9%	3.9%	4.0%	3.7%	4.0%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%		
R&D Expense	\$125	\$71	\$96	\$0	\$0	\$280	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
% Margin	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
Other Operating Expense	-\$220	\$181	-\$483	-\$52	-\$1,878	-\$839	\$295	\$311	\$329	\$345	\$362	\$380	\$396	\$411	\$424	
% Margin	-0.1%	0.1%	-0.2%	0.0%	-0.7%	-0.3%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%		
Total Operating Expense	\$8,043	\$8,689	\$8,793	\$8,797	\$8,659	\$10,073	\$11,365	\$11,990	\$12,649	\$13,282	\$13,948	\$14,643	\$15,229	\$15,838	\$16,313	
% Margin	3.86%	4.05%	3.81%	3.69%	3.28%	3.60%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%		
EBIT	\$3,141	\$2,863	\$3,208	\$3,170	\$4,425	\$3,917	\$3,395	\$3,581	\$4,764	\$5,002	\$5,977	\$6,276	\$6,527	\$6,788	\$6,991	
% Margin	1.5%	1.3%	1.4%	1.3%	1.7%	1.4%	1.2%	1.2%	1.5%	1.5%	1.7%	1.7%	1.7%	1.7%		
Income Tax Expense	-\$53	\$356	\$18	-\$695	\$636	\$783	\$407	\$430	\$572	\$600	\$717	\$753	\$783	\$815	\$839	
Effective Tax Rate	-1.7%	12.4%	0.6%	-21.9%	14.4%	20.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%		
NOPLAT	\$3,194	\$2,507	\$3,190	\$3,865	\$3,789	\$3,134	\$2,987	\$3,152	\$4,192	\$4,402	\$5,260	\$5,523	\$5,744	\$5,973	\$6,152	
% Margin	1.5%	1.2%	1.4%	1.6%	1.4%	1.1%	1.0%	1.0%	1.3%	1.3%	1.5%	1.5%	1.5%	1.5%		
Add: D&A	\$303.0	\$317.0	\$321.0	\$321.0	\$279.0	\$335.76	\$354.23	\$373.71	\$394.27	\$413.98	\$434.68	\$456.42	\$474.67	\$493.66	\$508.47	
% Revenue	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%		
Less: Capex	\$405.00	\$426.00	\$362.00	\$451.00	\$388.00	\$475.67	\$501.83	\$513.86	\$525.69	\$534.73	\$543.35	\$570.52	\$593.34	\$617.07	\$635.59	
% Revenue	0.19%	0.20%	0.16%	0.19%	0.15%	0.17%	0.17%	0.17%	0.16%	0.16%	0.15%	0.15%	0.15%	0.15%		
Less: Change in NWC		-\$709	-\$1,567	-\$864	-\$729											
% Revenue		-0.33%	-0.68%	-0.36%	-0.28%											
FCF	\$3,092	\$3,107	\$4,716	\$4,599	\$4,409	\$2,994	\$2,840	\$3,012	\$4,061	\$4,281	\$5,151	\$5,409	\$5,625	\$5,850	\$6,025	
% Revenue	1.5%	1.4%	2.0%	1.9%	1.7%	1.1%	1.0%	1.0%	1.2%	1.2%	1.4%	1.4%	1.4%	1.4%		

Implied Perpetuity Growth Rate	
Terminal Year FCF	\$6,025
Discount Rate	9.00%
Terminal Value	\$95,015
Perpetuity Growth Rate	2.50%

Implied Equity Value and Share Price	
PV of FCF	\$27,213
PV of Terminal Value	\$43,748
Enterprise Value	\$70,961
Less: Debt	\$7,308
Add: Cash & Equivalents	\$2,916
Equity Value	\$66,569
Diluted Shares Outstanding	148
Implied Share Price	\$449.79
Current Price	\$366.48
Margin of Safety	18.52%

		Discount Rate				
		\$449.79	8.00%	8.50%	9.00%	9.50%
PGR	2.00%	\$ 510.16	\$ 465.55	\$ 427.34	\$ 394.23	\$ 365.29
	2.25%	\$ 526.10	\$ 478.60	\$ 438.15	\$ 403.29	\$ 372.95
	2.50%	\$ 543.48	\$ 492.73	\$ 449.79	\$ 412.99	\$ 381.12
	2.75%	\$ 562.53	\$ 508.09	\$ 462.36	\$ 423.42	\$ 389.85
	3.00%	\$ 583.47	\$ 524.85	\$ 475.98	\$ 434.64	\$ 399.20

Governance Score:	8.50
Social Score:	2.80
Environmental Score:	5.31
Sustainalytics Score:	15.17
S&P Global Rank:	76.00