MCKESSON CORP
Form 424B5
March 07, 2014
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-179879

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Amount to Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
Debt Securities	$4,100,000,000	100.000%	$4,100,000,000	$528,080

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.

Table of Contents

PROSPECTUS SUPPLEMENT

(To Prospectus dated March 2, 2012)

$4,100,000,000

McKesson Corporation

$400,000,000 Floating Rate Notes due 2015

$700,000,000 1.292% Notes due 2017

$1,100,000,000 2.284% Notes due 2019

$1,100,000,000 3.796% Notes due 2024

$800,000,000 4.883% Notes due 2044

The floating rate notes due 2015, which we refer to as the 2015 floating rate notes, will mature on September 10, 2015, the 1.292% notes due 2017, which we refer to as the 2017 fixed rate notes, will mature on March 10, 2017, the 2.284% notes due 2019, which we refer to as the 2019 fixed rate notes, will mature on March 15, 2019, the 3.796% notes due 2024, which we refer to as the 2024 fixed rate notes, will mature on March 15, 2024 and the 4.883% notes due 2044, which we refer to as the 2044 fixed rate notes, will mature on March 15, 2044. We refer to the 2017 fixed rate notes, the 2019 fixed rate notes, the 2024 fixed rate notes and the 2044 fixed rate notes collectively as the fixed rate notes. We refer to the fixed rate notes and the 2015 floating rate notes collectively as the notes.

We will pay interest on the 2017 fixed rate notes on March 10 and September 10 of each year, beginning September 10, 2014. We will pay interest on the 2019 fixed rate notes, the 2024 fixed rate notes and the 2044 fixed rate notes on March 15 and September 15 of each year, beginning September 15, 2014. The 2015 floating rate notes will bear interest at a floating rate equal to three-month LIBOR plus 0.40%. We will pay interest on the 2015 floating rate notes on March 10, June 10, September 10 and December 10 of each year, beginning June 10, 2014.

We may redeem any series of fixed rates notes in whole or in part at any time at the redemption prices set forth under Description of Notes Optional Redemption. We do not have the option to redeem the 2015 floating rate notes. If a change of control triggering event occurs, unless we have previously exercised our optional redemption right, we will be required to offer to repurchase the notes from the holders for cash. See Description of Notes Change of Control.

The notes will be unsecured obligations of ours and rank equally with our existing and future unsecured senior indebtedness. The notes will be issued only in registered book-entry form and in denominations of $2,000 and integral multiples of $1,000 thereafter.

Investing in the notes involves risk. See the sections entitled Risk Factors in our Annual Report on Form 10-K for the fiscal year ended March 31, 2013, in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2013, September 30, 2013 and December 31, 2013 and in our Current Report on Form 8-K/A filed on March 5, 2014.

	Public Offering Price (1)	Underwriting Discounts	Proceeds, before expenses, to McKesson
Per 2015 Floating Rate Note	100.000%	0.150%	99.850%
Total	$ 400,000,000	$ 600,000	$ 399,400,000
Per 2017 Fixed Rate Note	100.000%	0.450%	99.550%
Total	$ 700,000,000	$ 3,150,000	$ 696,850,000
Per 2019 Fixed Rate Note	100.000%	0.600%	99.400%
Total	$ 1,100,000,000	$ 6,600,000	$ 1,093,400,000
Per 2024 Fixed Rate Note	100.000%	0.650%	99.350%
Total	$ 1,100,000,000	$ 7,150,000	$ 1,092,850,000
Per 2044 Fixed Rate Note	100.000%	0.875%	99.125%
Total	$ 800,000,000	$ 7,000,000	$ 793,000,000

(1) Plus accrued interest from March 10, 2014 if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form on or about March 10, 2014, only through the facilities of The Depository Trust Company for the accounts of its participants, which may include Clearstream Banking, *société anonyme*, and Euroclear Bank S.A./N.V., as operator of the Euroclear System, against payment in New York, New York.

Joint Book-Running Managers

BofA Merrill Lynch **Goldman, Sachs & Co.**

Senior Co-Managers

Mitsubishi UFJ Securities **Scotiabank** **Wells Fargo Securities**

Co-Managers

Fifth Third Securities **PNC Capital Markets LLC** **Rabo Securities**

HSBC **Lloyds Securities** **TD Securities** **US Bancorp**

March 5, 2014

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering, the notes and matters relating to us and our financial performance and condition. The second part, the accompanying prospectus, provides a more general description of the terms and conditions of the various securities we may offer under our registration statement, some of which does not apply to this offering. If the description of this offering and the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

In various places in this prospectus supplement and the accompanying prospectus, we refer you to sections of other documents for additional information by indicating the caption heading of the other sections. All cross-references in this prospectus supplement are to captions contained in this prospectus supplement and not in the accompanying prospectus, unless otherwise indicated.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the documents incorporated by reference herein include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Some of these statements can be identified by the use of forward-looking words such as believes, expects, anticipates, may, will, should, seeks, approximately, intends, plans or estimates, or the negative of these words, or other compara terminology. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the factors discussed under Risk Factors in our Annual Report on Form 10-K, in our Quarterly Reports on Form 10-Q, in our Current Report on Form 8-K/A filed on March 5, 2014 and in other information contained in our publicly available SEC filings and press releases. You should not consider this list to be a complete statement of all potential risks and uncertainties. You are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date such statements were first made. Except to the extent required by federal securities laws, we undertake no obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

You should carefully read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in their entirety. They contain information that you should consider when making your investment decision.

We have not, and the underwriters have not, authorized any other person, including any dealer, salesperson or other individual, to provide you with any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which they relate or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale made hereunder or thereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein or therein is correct as of any time subsequent to the date hereof.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before making an investment decision. We urge you to read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including the historical financial statements and notes to those financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Please read Risk Factors in our Annual Report on Form 10-K for the year ended March 31, 2013, in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2013, September 30, 2013 and December 31, 2013 and in our Current Report on Form 8-K/A filed on March 5, 2014 for more information about important risks that you should consider before investing in the notes. Except as otherwise indicated, all references in this prospectus supplement to McKesson, we, our and us refer to McKesson Corporation and its consolidated subsidiaries, but does not include Celesio AG (Celesio) and its subsidiaries.

McKesson Corporation

McKesson Corporation (NYSE: MCK) is a healthcare services and information technology company providing supply, information and care management products and services designed to reduce costs and improve quality across the healthcare industry.

We conduct our business through two segments. The McKesson Distribution Solutions segment distributes ethical and proprietary drugs, medical-surgical supplies and equipment, and health and beauty care products throughout North America. This segment also provides specialty pharmaceutical solutions for biotech and pharmaceutical manufacturers, and practice management, technology, clinical support and business solutions to oncology and other specialty practices operating in the community setting. In addition, this segment sells financial, operational and clinical solutions for pharmacies (retail, hospital, alternate site) and provides consulting, outsourcing and other services.

The McKesson Technology Solutions segment delivers enterprise-wide clinical, patient care, financial, supply chain, strategic management software solutions, pharmacy automation for hospitals, as well as connectivity, outsourcing and other services, including remote hosting and managed services, to healthcare organizations. This segment also includes McKesson Health Solutions, which includes our InterQual® clinical criteria solution, claims payment solutions and network performance tools. This segment s customers include hospitals, physicians, homecare providers, retail pharmacies and payers from North America, the United Kingdom, Ireland, other European countries and Israel.

Our principal executive offices are located at One Post Street, San Francisco, California 94104. Our telephone number is (415) 983-8300.

Recent Developments

As previously disclosed, on February 6, 2014, we completed the acquisition of more than 75% of the issued and outstanding share capital, on a fully diluted basis, of Celesio for approximately $5.1 billion (translated using a currency exchange ratio of $1.3495/ 1 as of February 6, 2014) plus the assumption of approximately $2.3 billion (translated using a currency exchange ratio of $1.3524/ 1 as of September 30, 2013) of Celesio debt (collectively, the Acquisition). On February 28, 2014, we launched a voluntary public tender offer for the shares of Celesio that remain outstanding or are issuable upon further conversion of Celesio s convertible bonds for 23.50 per share (the Tender Offer). Assuming that the Tender Offer is not extended, the Tender Offer is expected to expire on April 22, 2014.

Table of Contents

Celesio is an international wholesale and retail company and provider of logistics and services to the pharmaceutical and healthcare sectors. Celesio operates in 14 countries and is headquartered in Stuttgart, Germany.

In connection with the Acquisition, we entered into a $5.5 billion unsecured Senior Bridge Term Loan Agreement, dated as of January 23, 2014 (the Bridge Loan), among us, Bank of America, N.A., as administrative agent, and the lenders party thereto. On February 4, 2014, we borrowed approximately $5.0 billion under the Bridge Loan to fund payment of a portion of the consideration for the Acquisition. We expect to fund the acquisition of the remaining issued and outstanding share capital of Celesio with a combination of operating cash flow, cash on hand and, depending on the timing of such acquisition, other sources of short-term liquidity.

Table of Contents

The Offering

Issuer McKesson Corporation

Securities Offered $400,000,000 aggregate principal amount of floating rate notes due 2015.

$700,000,000 aggregate principal amount of 1.292% notes due 2017.

$1,100,000,000 aggregate principal amount of 2.284% notes due 2019.

$1,100,000,000 aggregate principal amount of 3.796% notes due 2024.

$800,000,000 aggregate principal amount of 4.883% notes due 2044.

Maturity Date 2015 floating rate notes September 10, 2015.
2017 fixed rate notes March 10, 2017.

2019 fixed rate notes March 15, 2019.

2024 fixed rate notes March 15, 2024.

2044 fixed rate notes March 15, 2044.

Interest Rate 2015 floating rate notes three-month LIBOR plus 0.40% per annum (determined as described under Description of Notes 2015 Floating Rate Notes).

2017 notes 1.292% per year.

2019 notes 2.284% per year.

2024 notes 3.796% per year.

2044 notes 4.883% per year.

Interest Payment Dates Interest will be paid on the 2015 floating rate notes on March 10, June 10, September 10 and December 10 of each year, beginning on June 10, 2014.

	Interest will be paid on the 2017 fixed rate notes on March 10 and September 10 of each year, beginning on September 10, 2014.
	Interest will be paid on the 2019 fixed rate notes, the 2024 fixed rate notes and the 2044 fixed rate notes on March 15 and September 15 of each year, beginning on September 15, 2014.
	Interest on the notes will accrue from March 10, 2014.
Use of Proceeds	We estimate that we will receive approximately $4,068 million from the sale of the notes, after deducting underwriting discounts and estimated offering expenses. We intend to use the net proceeds from this offering, together with borrowings under our accounts receivable sales facility and cash on hand, to repay borrowings outstanding under the Bridge Loan. See Use of Proceeds.

S-3

Conflicts of Interest	Certain of the underwriters or their affiliates are agents and/or lenders under the Bridge Loan. As described in Use of Proceeds, we intend to use a portion of the net proceeds from this offering to repay outstanding borrowings under the Bridge Loan. As affiliates of Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities (USA), Inc., Scotia Capital (USA) Inc. and Wells Fargo Securities, LLC will each receive more than 5% of the proceeds of this offering, not including underwriting compensation, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities (USA), Inc., Scotia Capital (USA) Inc. and Wells Fargo Securities, LLC will each have a conflict of interest as defined in Rule 5121 adopted by the Financial Industry Regulatory Authority, Inc., or FINRA. Consequently, this offering will be conducted in accordance with Rule 5121. No underwriter having a conflict of interest will confirm sales to accounts over which discretionary authority is exercised without the prior written consent of the accountholder. In accordance with Rule 5121, a qualified independent underwriter is not required because the notes offered are investment grade rated, as that term is defined in Rule 5121. See Use of Proceeds and Underwriting Conflicts of Interest.
Optional Redemption	We may redeem any series of fixed rate notes for cash in whole, at any time, or in part, from time to time, prior to maturity, at the redemption prices set forth under Description of Notes Optional Redemption. We do not have the option to redeem the 2015 floating rate notes.
Change of Control	Upon the occurrence of both (1) a change of control of us and (2) a downgrade of a series of notes below an investment grade rating by each of Fitch Inc., Moody s Investors Service, Inc. and Standard & Poor s Ratings Services within a specified period, unless we have previously exercised our optional redemption right with respect to that series of notes in whole, we will be required to offer to repurchase the notes of that series at a price equal to 101% of the then outstanding principal amount of such series, plus accrued and unpaid interest to, but not including, the date of repurchase. See Description of Notes Change of Control.
Other Covenants	We will issue the notes under an indenture with Wells Fargo Bank, National Association, as trustee. The indenture includes certain covenants, including limitations on our ability to: create liens on our assets; enter into sale and lease-backs with respect to our properties; and merge or consolidate with another entity.

Table of Contents

These covenants are subject to a number of important exceptions, limitations and qualifications that are described under Description of Notes Certain Covenants and in the indenture.

Ranking	The notes will be our unsecured senior obligations and will rank equally with all our existing and future unsecured and unsubordinated indebtedness from time to time outstanding.

The indenture does not limit the amount of debt we may incur.

Additional Issues	We may create and issue additional notes with the same terms (except for the issue date, the public offering price and, under certain circumstances, the first interest payment date) as one or more series of the notes so that such additional notes shall be consolidated and form a single series with the notes of the corresponding series.

Table of Contents

Summary Unaudited Pro Forma Condensed Combined Financial Information

The following summary unaudited pro forma condensed combined financial information gives effect to the Acquisition as if it had occurred on the dates indicated and after giving effect to the pro forma adjustments.

The unaudited pro forma condensed combined balance sheet data as of December 31, 2013 gives effect to the Acquisition as if it had occurred on December 31, 2013, combining the unaudited consolidated balance sheet of McKesson at December 31, 2013 and the unaudited consolidated balance sheet of Celesio at September 30, 2013. The unaudited pro forma condensed combined statements of operations data have been adjusted to give effect to the Acquisition as if it had occurred at the start of McKesson s fiscal year, April 1, 2012, combining the audited results of McKesson for the year ended March 31, 2013 and the unaudited results of Celesio for the year ended December 31, 2012, and combining the unaudited results of McKesson for the nine months ended December 31, 2013 and the unaudited results of Celesio for the nine months ended September 30, 2013. The summary unaudited pro forma financial information is for illustrative purposes only and does not purport to be indicative of the financial position or results of operations that would actually have been achieved had the Acquisition occurred on the dates indicated or which may be achieved in the future.

The summary unaudited pro forma consolidated combined financial information is only a summary and should be read in conjunction with Unaudited Pro Forma Condensed Combined Financial Information, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and notes thereto of McKesson and Celesio, included or incorporated by reference in this prospectus supplement.

	Pro Forma	
	Nine Months Ended December 31, 2013	Year Ended March 31, 2013
(in millions, except per share and ratio data)	(unaudited)	
Statement of Operations Data		
Revenues	$ 120,529	$ 151,086
Cost of Sales	(112,321)	(140,861)
Gross Profit	8,208	10,225
Operating Expenses	(6,146)	(7,821)
Litigation Charges	(68)	(72)
Gain on Business Combination		81
Total Operating Expenses	(6,214)	(7,812)
Operating Income	1,994	2,413
Other Income, net	26	9
Impairment of an Equity Investment		(191)
Interest Expense	(426)	(550)
Income from Continuing Operations Before Income Taxes	1,594	1,681
Income Tax Expense	(628)	(555)
Income from Continuing Operations	966	1,126
Less: Income Attributable to Noncontrolling Interests	5	(20)
Income from Continuing Operations Attributable to McKesson Corporation	$ 961	$ 1,146

Table of Contents

(in millions, except per share and ratio data)	Pro Forma Nine Months Ended December 31, 2013	Year Ended March 31, 2013
	(unaudited)	
Earnings from Continuing Operations Per Common Share Attributable to McKesson Corporation		
Diluted	$ 4.12	$ 4.79
Basic	$ 4.20	$ 4.88
Dividend Declared Per Common Share	$ 0.68	$ 0.80
Weighted Average Common Shares of McKesson		
Diluted	233	239
Basic	229	235
Balance Sheet Data		
Current Assets	$ 31,349	
Working Capital (1)	$ 4,532	
Total Assets	$ 50,556	
Long-Term Debt	$ 10,925	
Total Stockholders Equity	$ 7,969	

(1) Working capital is total current assets less total current liabilities.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $4,068 million, after deducting underwriting discounts and estimated offering expenses. We intend to use the net proceeds from this offering, together with borrowings under our accounts receivable sales facility and cash on hand, to repay borrowings outstanding under the Bridge Loan. On February 4, 2014 we borrowed approximately $5.0 billion under the Bridge Loan to fund payment of a portion of the consideration for the Acquisition. Borrowings under the Bridge Loan must be repaid in full no later than February 3, 2015, or in full or in part, upon certain events occurring prior to such time, including specified debt issuances such as this offering. The Bridge Loan bears interest based on the London Interbank Offered Rate plus a margin based on our credit ratings and the amount of time any borrowings under the Bridge Loan remain outstanding. As of March 4, 2014, our borrowings under the Bridge Loan accrued interest at the rate of 1.4% per year.

Certain affiliates of the underwriters are lenders and/or agents under the Bridge Loan. Therefore, affiliates of the underwriters will receive a portion of the net proceeds from this offering used to repay borrowings under the Bridge Loan. See Underwriting Conflicts of Interest for more information.

Table of Contents

CAPITALIZATION

The following table sets forth our cash position and capitalization as of December 31, 2013:

- on an actual basis;
- on an as adjusted basis to reflect the Acquisition as well as the borrowings under the Bridge Loan and use of cash on hand to finance the Acquisition; and
- on an as adjusted basis to reflect the Acquisition, this offering and the application of the net proceeds from the sale of the notes, together with borrowings under our accounts receivable sales facility and cash on hand, to repay borrowings outstanding under the Bridge Loan. See Use of Proceeds.

You should read this table in conjunction with Use of Proceeds, Unaudited Pro Forma Condensed Combined Financial Information and Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical financial statements and notes to those financial statements that are incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of December 31, 2013		
	Actual	Adjusted for the Acquisition	Adjusted for the Acquisition and this Offering
	(unaudited, in millions, except par value)		
Cash and cash equivalents (1)	$ 2,431	$ 2,763	$ 1,873
Long-term debt (including current portion):			
6.50% Notes due February 15, 2014 (2)	350	350	350
0.95% Notes due December 4, 2015	499	499	499
3.25% Notes due March 1, 2016	599	599	599
5.70% Notes due March 1, 2017	500	500	500
1.40% Notes due March 15, 2018	499	499	499
7.50% Notes due February 15, 2019	349	349	349
4.75% Notes due March 1, 2021	598	598	598
2.70% Notes due December 15, 2022	400	400	400
2.85% Notes due March 15, 2023	400	400	400
7.65% Debentures due March 1, 2027	175	175	175
6.00% Notes due March 1, 2041	493	493	493
Celesio Debt (3)(4)		1,978	1,978
Bridge Loan (5)		4,957	
Other	12	12	12
Floating Rate Notes due September 10, 2015			400
1.292% Notes due March 10, 2017			700
2.284% Notes due March 15, 2019			1,100
3.796% Notes due March 15, 2024			1,100
4.883% Notes due March 15, 2044			800
Total long-term debt (including current portion)	$ 4,874	$ 11,809	$ 10,952
Stockholders equity:			
Preferred stock, $0.01 par value, 100 shares authorized, no shares issued or outstanding	$	$	$
	4	4	4

Common stock, $0.01 par value, 800 shares authorized (actual and as adjusted); 380 shares issued (actual and as adjusted)			
Additional paid-in capital	6,442	6,442	6,442
Retained earnings (5)	11,138	11,080	11,080
Accumulated other comprehensive loss	(68)	(68)	(68)
Other	16	16	16
Treasury shares, at cost 150 shares (actual and as adjusted)	(9,505)	(9,505)	(9,505)
Total stockholders equity	$ 8,027	$ 7,969	$ 7,969
Total capitalization	$ 12,901	$ 19,778	$ 18,921

(1) As adjusted for the Acquisition represents the cash and cash equivalents of McKesson as of December 31, 2013, plus the cash and cash equivalents of Celesio as of September 30, 2013, less the net cash used to finance the Acquisition. This amount was translated using a currency exchange ratio of $1.3524/ 1 as of September 30, 2013.
(2) Does not reflect repayment in full at maturity of the 6.50% Notes due February 15, 2014.
(3) As adjusted for the Acquisition represents the long-term debt (including current portion) of Celesio as of September 30, 2013 (translated using a currency exchange ratio of $1.3524/ 1 as of September 30, 2013), less $630 million of Celesio debt acquired and held by McKesson through February 6, 2014 (translated using a currency exchange ratio of $1.3495/ 1 as of February 6, 2014), plus fair-value step-up of Celesio long-term debt held by third parties (translated using a currency exchange ratio of $1.3495/ 1 as of February 6, 2014).
(4) Holders of Celesio s 350 million aggregate principal amount 4.00% Notes due 2016, 500 million aggregate principal amount 4.50% Notes due 2017, 350 million aggregate principal amount 3.75% Convertible Bonds due 2014 and 350 million aggregate principal amount 2.50% Convertible Bonds due 2018 (collectively, the Celesio Notes) have the right to require Celesio to redeem such notes upon the occurrence of specified change of control events. On February 12, 2014, pursuant to the terms of the Celesio Notes, Celesio announced that a change of control had occurred as a result the Acquisition. As part of the Acquisition, we acquired approximately 497 million aggregate principal amount of the 2014 Convertible Bonds and the 2018 Convertible Bonds. With respect to the 2016 Notes and 2017 Notes, if no ratings agency assigns an investment grade credit rating to such series of Celesio Notes within 90 days following the occurrence of the change of control, holders may require Celesio to redeem their notes for a redemption price equal to 100% of the principal amount of notes surrendered for redemption, plus accrued and unpaid interest to but excluding the redemption date. With respect to the 2014 Convertible Bonds and the 2018 Convertible Bonds, holders may require Celesio to redeem their notes on March 24, 2014 for a redemption price equal to 100% of the principal amount of notes surrendered for redemption, plus accrued and unpaid interest to but excluding March 24, 2014 upon delivering notice at least 10 days prior to March 24, 2014.
(5) As adjusted for the Acquisition reflects the accrual of transaction costs subsequent to December 31, 2013 and debt issuance costs on the Bridge Loan, net of tax.

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES

The table below reflects our ratio of earnings to fixed charges (1) on a historical basis for the nine months ended December 31, 2013, and for each of the five years in the period ended March 31, 2013 and (2) on a pro forma basis for the nine months ended December 31, 2013 and for the year ended March 31, 2013:

	For the Nine Months Ended December 31, 2013	For the Year Ended March 31, 2013	2012	2011	2010	2009
Ratio of earnings to fixed charges (1)	7.5	7.0	6.8	6.9	8.8	6.5
Pro forma ratio of earnings to fixed charges (1)(2)	5.5	5.1				

(1) The ratio of earnings to fixed charges is computed by dividing fixed charges (interest cost, both expensed and capitalized, including amortization of debt discounts and deferred loan costs, and the interest component of rental expense) into earnings available for fixed charges (income from continuing operations before income taxes plus fixed charges and dividends from equity investees, minus equity in net income of equity investees and interest capitalized). Interest accrued on the liability recorded for uncertain tax positions is excluded from interest expense. One-third of net rent expense is the portion of rental expense deemed as reasonable approximation of the interest factor.

(2) The pro forma ratio of earnings to fixed charges for the nine months ended December 31, 2013 and for the year ended March 31, 2013 gives effect to this offering as if it had occurred on April 1, 2013 and April 1, 2012, respectively. Fixed charges include interest cost for the 2015 floating rate notes based on the pricing as of the date of this prospectus supplement. The interest rate for the 2015 floating rate notes could change during the period for which the 2015 floating rate notes are outstanding and therefore could differ from the amounts reflected in the pro forma information presented above.

[Table of Contents](#)

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information is based on the historical financial statements of McKesson and Celesio, and presents McKesson s pro forma financial position and results of operations resulting from the Acquisition and the related financing.

The Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2013 (the Pro Forma Balance Sheet) gives effect to the Acquisition as if it had occurred on December 31, 2013, combining the unaudited condensed consolidated balance sheet of McKesson at December 31, 2013 and the unaudited condensed consolidated balance sheet of Celesio at September 30, 2013.

The Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended March 31, 2013, and for the nine months ended December 31, 2013 (the Pro Forma Statements of Operations), give effect to the Acquisition, as if it had occurred on April 1, 2012, combining the audited results of McKesson for the year ended March 31, 2013 and the unaudited results of Celesio as derived from their audited financial statements for the year ended December 31, 2012, and combining the unaudited results of McKesson for the nine months ended December 31, 2013 and the unaudited results of Celesio for the nine months ended September 30, 2013.

The Pro Forma Statements of Operations and the Pro Forma Balance Sheet are hereafter collectively referred to as the Pro Forma Financial Information.

The Pro Forma Financial Information has been adjusted to give effect to matters that are directly attributable to the Acquisition and factually supportable. In addition, the Pro Forma Statements of Operations have been adjusted to give effect to only those matters that are expected to have a continuing impact on the operating results of McKesson. The pro forma adjustments and Pro Forma Financial Information included herein were prepared using the acquisition method of accounting for the business combination. The pro forma adjustments are based on preliminary estimates and certain assumptions that McKesson believes are reasonable under the circumstances. The fair value amounts assigned to the identifiable assets acquired and liabilities assumed is considered preliminary and subject to change once McKesson receives certain information it believes is necessary to finalize its fair value assessments. The Pro Forma Financial Information does not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from any integration activities.

Adjustments made to align Celesio s financial information prepared under International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) with McKesson s accounting policies and presentation under U.S. GAAP are described in Note 5, IFRS to U.S. GAAP Reconciliation and Presentation Reclassifications.

The Pro Forma Financial Information is unaudited and does not purport to represent what McKesson s combined results of operations would have been if the Acquisition had occurred on April 1, 2012, or what those results will be for any future periods, or what McKesson s combined balance sheet would have been if the Acquisition had occurred on December 31, 2013. The Pro Forma Financial Information should be read in connection with the historical consolidated financial statements and notes thereto of McKesson and Celesio, incorporated by reference in this prospectus supplement.

Table of Contents

Unaudited Pro Forma Condensed Combined Balance Sheet

As of December 31, 2013

(In millions of U.S. dollars)

	December 31, 2013 McKesson	September 30, 2013 Celesio (Note 5)	Pro Forma Adjustments	Ref.	Pro Forma Combined
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 2,431	$ 505	$ (173)	6(a)	$ 2,763
Receivables, Net	10,750	3,285			14,035
Inventories, Net	11,462	2,004	49	6(b)	13,515
Prepaid Expenses and Other	591	445			1,036
Total Current Assets	25,234	6,239	(124)		31,349
Property, Plant and Equipment, Net	1,359	676	165	6(b)	2,200
Goodwill	6,300	2,828	809	6(b)	9,937
Intangible Assets, Net	2,066	30	2,836	6(b)	4,932
Other Assets	1,520	618			2,138
Total Assets	$ 36,479	$ 10,391	$ 3,686		$ 50,556
LIABILITIES AND STOCKHOLDERS EQUITY					
Current Liabilities					
Drafts and Accounts Payable	$ 16,638	$ 3,051	$		$ 19,689
Short-Term Borrowings		383			383
Deferred Revenue	1,286				1,286
Deferred Tax Liabilities	1,519				1,519
Current Portion of Long-Term Debt	353	224	307	6(d)	884
Other Accrued Liabilities	2,108	901	47	6(c)	3,056
Total Current Liabilities	21,904	4,559	354		26,817
Long-Term Debt	4,521	2,250	4,154	6(d)	10,925
Other Noncurrent Liabilities	2,027	671	698	6(b)	3,396
Commitments and Contingent Liabilities					
Total McKesson Corporation Stockholders Equity	8,027	2,864	(2,922)	6(e)	7,969
Noncontrolling Interests		47	1,402	6(b)	1,449
Total Liabilities and Stockholders Equity	$ 36,479	$ 10,391	$ 3,686		$ 50,556

See accompanying notes to the unaudited Pro Forma Financial Information

Table of Contents

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended March 31, 2013

(In millions of U.S. dollars, except per share amounts)

	Year Ended March 31, 2013 McKesson	December 31, 2012 Celesio	Pro Forma Adjustments	Ref.	Pro Forma Combined
		(Note 5)			
Revenues	$ 122,455	$ 28,631	$		$ 151,086
Cost of Sales	(115,471)	(25,341)	(49)	6(f)	(140,861)
Gross Profit	6,984	3,290	(49)		10,225
Operating Expenses	(4,678)	(2,855)	(288)	6(f)	(7,821)
Litigation Charges	(72)				(72)
Gain on Business Combination	81				81
Total Operating Expenses	(4,669)	(2,855)	(288)		(7,812)
Operating Income	2,315	435	(337)		2,413
Other Income (Expense), Net	35	(26)			9
Impairment of an Equity Investment	(191)				(191)
Interest Expense	(240)	(151)	(159)	6(f)	(550)
Income from Continuing Operations Before Income Taxes	1,919	258	(496)		1,681
Income Tax Expense	(581)	(130)	156	6(g)	(555)
Income from Continuing Operations	1,338	128	(340)		1,126
Less: Income Attributable to Noncontrolling Interests		9	(29)	6(h)	(20)
Income from Continuing Operations Attributable to McKesson Corporation	$ 1,338	$ 119	$ (311)		$ 1,146
Earnings from Continuing Operations Per Common Share Attributable to McKesson Corporation					
Diluted	$ 5.59				$ 4.79
Basic	$ 5.71				$ 4.88
Weighted Average Common Shares of McKesson Corporation					
Diluted	239				239
Basic	235				235

See accompanying notes to the unaudited Pro Forma Financial Information

Table of Contents

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Nine Months Ended December 31, 2013

(In millions of U.S. dollars, except per share amounts)

	Nine Months Ended December 31, 2013 McKesson	September 30, 2013 Celesio	Pro Forma Adjustments	Ref.	Pro Forma Combined
		(Note 5)			
Revenues	$ 99,468	$ 21,061	$		$ 120,529
Cost of Sales	(93,699)	(18,622)			(112,321)
Gross Profit	5,769	2,439			8,208
Operating Expenses	(3,890)	(2,068)	(188)	6(f)	(6,146)
Litigation charges	(68)				(68)
Total Operating Expenses	(3,958)	(2,068)	(188)		(6,214)
Operating Income	1,811	371	(188)		1,994
Other Income (Expense), Net	7	(33)	52	6(f)	26
Interest Expense	(187)	(122)	(117)	6(f)	(426)
Income from Continuing Operations Before Income Taxes	1,631	216	(253)		1,594
Income Tax Expense	(639)	(71)	82	6(g)	(628)
Income from Continuing Operations	992	145	(171)		966
Less: Income Attributable to Noncontrolling Interests		7	(2)	6(h)	5
Income from Continuing Operations Attributable to McKesson Corporation	$ 992	$ 138	$ (169)		$ 961
Earnings from Continuing Operations Per Common Share Attributable to McKesson Corporation					
Diluted	$ 4.26				$ 4.12
Basic	$ 4.34				$ 4.20
Dividend Declared Per Common Share	$ 0.68				$ 0.68
Weighted Average Common Shares of McKesson Corporation					
Diluted	233				233
Basic	229				229

See accompanying notes to the unaudited Pro Forma Financial Information

S-15

Table of Contents

Notes to Unaudited Pro Forma Financial Information

1. Basis of Presentation

On February 6, 2014, McKesson completed the acquisition of 77.6% of the outstanding common shares of Celesio for cash consideration of $5,105 million plus the assumption of Celesio s debt. Celesio is a leading international wholesale and retail company and provider of logistics and services to the pharmaceutical and healthcare sectors which operates in 14 countries around the world. The Acquisition was consummated through a series of transactions:

McKesson acquired 129.3 million of common shares of Celesio from Franz Haniel & Cie. GmbH (Haniel) for cash consideration of 23.50 per common share or $4,099 million.

McKesson acquired 4,840 of the 7,000 convertible bonds issued by Celesio in the nominal aggregate amount of 350 million due in October 2014 (the 2014 Bonds), and 2,180 of the 3,500 convertible bonds issued by Celesio in the nominal amount of 350 million due in April 2018 (the 2018 Bonds , and together with the 2014 Bonds, the Bonds), from Elliott International, L.P., The Liverpool Limited Partnership and Elliott Capital Advisers, L.P. (together, the Elliott Group) for cash consideration of $945 million. The 2,180 acquired 2018 Bonds were converted to 11.4 million common shares of Celesio.

McKesson acquired 303 of the 2014 Bonds and 216 of the 2018 Bonds in a series of private transactions (Private Purchases) for cash consideration of $61 million. 139 of the acquired 2018 Bonds were converted to 0.7 million common shares of Celesio.

Following the Acquisition, McKesson s share ownership of Celesio exceeded 75% on a fully diluted basis.

In accordance with a business combination agreement that McKesson entered into with Celesio, on February 28, 2014, McKesson launched a voluntary public tender offer for the shares of Celesio that remain outstanding or are to be issued upon further conversions of Bonds for 23.50 per share. The Pro Forma Financial Information does not reflect the impact of the Tender Offer.

The accompanying Pro Forma Balance Sheet as of December 31, 2013 gives effect to the Acquisition as if it had occurred on December 31, 2013, combining the unaudited balance sheet of McKesson at December 31, 2013 and the unaudited balance sheet of Celesio as of September 30, 2013.

The accompanying Pro Forma Statements of Operations for the year ended March 31, 2013, and for the nine months ended December 31, 2013, give effect to the Acquisition as if it had occurred on April 1, 2012, combining the audited results of McKesson for the year ended March 31, 2013 and the unaudited results of Celesio as derived from their audited financial statements for the year ended December 31, 2012, and combining the unaudited results of McKesson for the nine months ended December 31, 2013 and the unaudited results of Celesio for the nine months ended September 30, 2013.

The period end exchange rate applicable to the purchase accounting adjustments and to Celesio for the Pro Forma Balance Sheet and the average exchange rate during the periods presented for the Pro Forma Statements of Operations are as follows:

		USD/EUR
As of February 6, 2014	Period End Spot Rate	$1.3495
As of September 30, 2013	Period End Spot Rate	$1.3524
Year ended December 31, 2012	Average Spot Rate	$1.2853
Nine months ended September 30, 2013	Average Spot Rate	$1.3169

Table of Contents

The Pro Forma Financial Information is not intended to reflect the financial position or results of operations which would have actually resulted had the Acquisition been effected on the dates indicated. Further, the results of operations are not necessarily indicative of the results of operations that may be obtained in the future.

2. Summary of Significant Accounting Policies

The Pro Forma Financial Information has been compiled in a manner consistent with the accounting policies and presentation adopted by McKesson in conformity with U.S. generally accepted accounting principles (GAAP). The accounting policies of Celesio were not deemed to be materially different from those of McKesson. Adjustments made to align the presentation of Celesio s financial information that was based on International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) with U.S. GAAP are described in Note 5, IFRS to U.S. GAAP Reconciliation and Presentation Reclassifications.

3. Preliminary Purchase Price Allocation

The following table summarizes the allocation of the purchase price on the basis of a preliminary assessment of the fair values of the assets acquired and liabilities assumed:

(In millions)	Amount
Current assets, net of cash and cash equivalents acquired	$ 5,770
Goodwill	3,637
Intangible assets	2,866
Other long-term assets	1,456
Current liabilities	(3,955)
Short-term borrowings	(383)
Current portion of long-term debt	(532)
Long-term debt	(1,446)
Other long-term liabilities	(1,364)
Fair value of net assets, less cash and cash equivalents	6,049
Less: Noncontrolling interests	(1,449)
Purchase consideration, net of cash and cash equivalents acquired	$ 4,600

The fair values of acquired assets and liabilities are based on preliminary cash flow projections and other assumptions. The preliminary fair values of acquired intangible assets were determined by applying the income approach, using several significant unobservable inputs for projected cash flows and a discount rate. These inputs are considered Level 3 inputs under the fair value measurements and disclosure guidance. These preliminary fair values are subject to change as McKesson obtains additional information finalizing these fair values.

The fair value of Celesio s long-term debt and other financing were determined by quoted market prices in a less active market and other observable inputs from available market information, which are considered to be Level 2 inputs under the fair value measurements and disclosure guidance. The fair values of the conversion options, classified as other long-term liabilities, on Celesio s Bonds were determined by observable market data for similar instruments that are considered to be Level 2 inputs under the fair value measurements and disclosure guidance.

Table of Contents

The fair value of the noncontrolling interests on the date of acquisition of $1,449 million was made up of the following components:

(In millions)	Amount
Fair value of Celesio common shares not acquired by McKesson	$ 1,402
Fair value of Celesio s previously existing noncontrolling interests	47
Total	$ 1,449

The fair value of the noncontrolling interest for the Celesio common shares that were not acquired by McKesson was determined by a quoted market price that is considered to be a Level 1 input under the fair value measurements and disclosure guidance.

The excess of the purchase price and the noncontrolling interests over the acquired net assets has been allocated to goodwill.

Of the total $5,105 million purchase price, $2,866 million has been allocated to definite-lived intangible assets acquired. Acquired intangible assets and their estimated useful lives consist of the following:

(In millions)	Useful life	Amount
Customer relationships	Up to 17 years	$ 1,495
Pharmacy licenses	Up to 23 years	1,098
Trademarks	Up to 13 years	182
Other	Up to 4 years	91
Total intangible assets acquired		$ 2,866

The amortization pattern of each intangible asset will follow an accelerated schedule that reflects the pattern of its expected benefits to McKesson.

4. Financing Activities

In January 2014, McKesson entered into the Bridge Loan. Subject to the terms and conditions set forth in the Bridge Loan, up to two borrowings of term loans in an aggregate principal amount of up to $5.5 billion will be made available to McKesson at McKesson s request to: (i) pay the Acquisition consideration; (ii) fund additional acquisitions, if any, of Celesio shares and convertible bonds, including shares acquired in the Tender Offer; and (iii) pay transaction costs associated with the Acquisition. The Bridge Loan contains terms substantially similar to those contained in McKesson s existing revolving credit facility and, similar to the revolving credit facility, borrowings under the Bridge Loan generally bear interest based upon either a prime rate or the London Interbank Offering Rate. In addition, the Bridge Loan requires that McKesson maintains a debt to capital ratio of no greater than 65% throughout the Bridge Loan. McKesson expects to refinance all or part of the outstanding amounts under the Bridge Loan with longer-term financing prior to the end of the Bridge Loan s 364-day term. In connection with the Acquisition, McKesson borrowed $4,957 million on the Bridge Loan. Interest expense associated with long-term financing may differ from the expense associated with the Bridge Loan.

Also in January 2014, McKesson amended its $1.35 billion Accounts Receivable Sales Facility and $1.3 billion Revolving Credit Facility. The amendments added an extended cure period to both facilities with respect to defaults under the facilities relating to the acquisition of Celesio. Additionally, the amendment for the Revolving Credit Facility increased the maximum debt to capital ratio covenant from 56.5% to 65%. This debt covenant was previously increased for the Accounts Receivable Sales Facility from 56.5% to 65% in November 2013.

Table of Contents

5. IFRS to U.S. GAAP Reconciliation and Presentation Reclassifications

The historical financial statements of Celesio are presented in EUR and have been prepared in accordance with IFRS. Accordingly, certain adjustments have been made in order to (i) reconcile the financial statements to U.S. GAAP; (ii) conform presentation to that applied by McKesson; and (iii) translate the financial statements to U.S. dollars.

Celesio Condensed Consolidated Balance Sheet

	As of September 30, 2013				
(In millions)	**Under IFRS In EUR***	**Adjustments to Reconcile to U.S. GAAP In EUR**	**Ref.**	**Under U.S. GAAP In EUR**	**Under U.S. GAAP In USD**
ASSETS					
Current Assets					
Cash and Cash Equivalents	374			374	$ 505
Receivables, Net	2,255	174	(a)	2,429	3,285
Inventories, Net	1,482			1,482	2,004
Prepaid Expenses and Other	328			328	445
Total Current Assets	4,439	174		4,613	6,239
Property, Plant and Equipment, Net	500			500	676
Goodwill	2,209	(118)	(d)	2,091	&n