



# 2018 Summary Annual Report



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# About AmerisourceBergen

## knowledge



## reach



## partnership



AmerisourceBergen is one of the largest global pharmaceutical sourcing and distribution services companies, helping both healthcare providers and pharmaceutical and biotech manufacturers improve patient access to products and enhance patient care. With services ranging from drug distribution and niche premium logistics to reimbursement and pharmaceutical consulting services, AmerisourceBergen delivers innovative programs and solutions across the pharmaceutical supply channel in human and animal health. With over \$160 billion in annual revenue, AmerisourceBergen is headquartered in Valley Forge, PA, and employs approximately 21,000 people around the world. AmerisourceBergen is ranked #12 on the Fortune 500 list.

We distribute a comprehensive offering of brand name and generic pharmaceuticals – including specialty pharmaceutical products, over-the-counter healthcare products, home healthcare supplies and equipment, outsourced compounded sterile preparations, and related services to a wide variety of healthcare providers located in the United States and select global markets. Our customers include chain retail and independent pharmacies, mail order pharmacies, acute care hospitals and health systems, physician practices, medical and dialysis clinics, long-term care and other alternate site pharmacies, veterinarians, and others. Additionally, we furnish healthcare providers and pharmaceutical manufacturers with an assortment of related high-value services, including reimbursement and pharmaceutical consulting services, niche premium logistics services, inventory management, pharmacy automation, and pharmacy management.

Please visit our website, [investor.amerisourcebergen.com](http://investor.amerisourcebergen.com) for the most current corporate news and financial results.

# To our Stockholders

During fiscal 2018, AmerisourceBergen continued to execute its differentiated strategy and position the Company for long-term growth as a pharmaceutical-centric healthcare solutions provider. We received several high-profile awards and recognition during the year, including being ranked #12 on the *Fortune* 500 and #19 on *Forbes'* list of the world's top 100 most innovative companies. Our 21,000 dedicated associates across 150 offices in 50 countries continue to think, plan and act strategically to improve efficiency, support partner growth, champion patient access and build long-term, sustainable value for our stockholders. We have great appreciation for and confidence in our strong team, and recognize that further development of our talent and shaping of our culture will continue to power our ability to execute and drive growth.



**Steve Collis**  
Chairman, President &  
Chief Executive Officer



## Creating Value for our Customers, Partners and Stockholders

I am pleased to report solid financial and operational performance in fiscal 2018. In spite of some challenges, we are proud of what we accomplished. Our revenues increased 10% to \$167.9 billion and, on the basis of U.S. generally accepted accounting principles, diluted earnings per share was \$7.53. Adjusted diluted earnings per share increased 10.4% to \$6.49 due to AmerisourceBergen's ability to execute and deliver on its differentiated value proposition, a lower effective tax rate and a balanced and disciplined approach to capital deployment.<sup>1</sup>

In fiscal 2018, our Pharmaceutical Distribution Services segment had strong revenue growth of 10%. Even with ongoing challenges at PharMEDium, this segment successfully executed important strategic initiatives that further strengthened and expanded our relationships with key anchor customers. For example, our teams helped to enable the seamless integration of more than 1,900 Rite Aid stores acquired by our largest partner, Walgreens Boots Alliance, increased share of wallet within our existing customer base, and continued to progress on customer contract rebalancing efforts—successfully renewing customer contracts, including Humana. Furthermore, we acquired H. D. Smith, the largest independent pharmaceutical wholesaler in the U.S., strengthening our core business and expanding and enhancing our strategic scale in U.S. pharmaceutical distribution; and integrating the business while maintaining strong customer service.

<sup>1</sup> See page 14 for more information regarding the non-GAAP financial measure adjusted diluted earnings per share.



The Pharmaceutical Distribution Services segment also continues to benefit from our leadership in Specialty distribution, as we provide key services for our customers in this fast-growing part of the market. Our extensive footprint in the Specialty market is a clear differentiator for AmerisourceBergen, enabling us to further leverage our strength and scale to ensure that patients have access to vital pharmaceuticals whenever and wherever they need them.



**Our revenues increased 10% to \$167.9 billion and adjusted diluted earnings per share increased 10% to \$6.49 due to AmerisourceBergen's ability to execute and deliver on its differentiated value proposition.**





AmerisourceBergen remains committed to delivering a best-in-class customer experience through the design of innovative services and solutions that unlock new value for manufacturers and provider partners. Our highly automated distribution network and key technology offerings enable the successful, efficient navigation of a complex supply chain while maintaining product safety and security. Our ABC Order system—designed by pharmacists, for pharmacists—continues to help providers operate more effectively and efficiently. Given its differentiated value and high customer satisfaction scores, ABC Order was expanded and launched to support our Health Systems customers—helping them improve inventory control efficiency, optimize ordering decisions and access data trends and insights. We continue to work through remediation efforts at PharMEDium. As always, patient safety comes first and PharMEDium is committed to full regulatory compliance. The process has certainly taken longer than we expected. Yet, despite the challenges, the focus remains on enhanced quality assurance and quality control programs that deliver the safest and highest quality products for PharMEDium’s customers.

In fiscal 2018, our Global Commercialization Services & Animal Health businesses delivered solid revenue growth of 10%. With our market-leading services to support pharmaceutical commercialization and companion and production animal health, AmerisourceBergen continues to be well positioned to meet this growing need. In fact, businesses like World Courier continue to deliver results above expectations. As the leader in global specialty logistics, World Courier’s growth continues to outperform the market. World Courier is the partner of choice and continues to find new ways to support the complex needs of its customers. In consulting and patient services, we are pleased with the substantial progress we have made at our Lash Consulting business, as the business continues to migrate customers to Fusion, our game-changing technology platform, and manufacturer feedback continues to be very positive. In a growing market of new, innovative specialty therapies that require additional patient access and adherence services, we believe that Lash’s focused services, enabled by Fusion, are significant differentiators that are positioning Lash for future success. Finally, MWI enters fiscal 2019 building on its proven leadership, along with the execution of margin initiatives and the continued strengthening of customer relationships and commercial partnerships to further enhance the customer experience.



## Leading in an Ever-Evolving Healthcare Landscape

AmerisourceBergen continues to execute and drive long-term growth in a highly complex, dynamic healthcare environment. Healthcare remains an integral part of the economy, and pharmaceuticals represent the most efficient form of patient care. They improve patient lives and are key to mitigating overall healthcare spend.

Right now, many debates regarding the U.S. healthcare system are taking place, with the cost of care and the price of prescription drugs drawing focus. We realize that the healthcare system will continue to evolve, yet also recognize that significant changes will likely take time. In this dynamic environment, the scale and scope of AmerisourceBergen's value to its partners, and our industry's value to the healthcare system overall, continue to be undeniable. Our unique ability to provide services and efficiency within the supply chain is essential to patient care—ensuring that patients have access to vital pharmaceuticals whenever and wherever they need them. As changes to various parts of the current healthcare model are considered, we will have an important seat at the table during discussions with policy leaders, manufacturers, customers and other stakeholders to help ensure that changes do not negatively affect patient access to the best care possible and that our important role in the supply chain continues to be recognized.

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**AmerisourceBergen will continue to be a thought leader, engaging with policy makers and commercial partners to ensure that we are a driver of solutions, enabler of access and creator of additional efficiencies.**

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We will continue to focus on elements we can control—being an advocate for community-based providers, servicing our customer relationships, executing on our differentiated strategy and investing in our businesses. As the discussion of different healthcare system models continues, AmerisourceBergen will continue to be a thought leader, engaging with policy makers and commercial partners to ensure that we are a driver of solutions, enabler of access and creator of additional efficiencies. We remain steadfast in our commitment to be a part of the solution and supporters of the most cost-efficient form and sites of patient care.



# 2018 Overview



**\$160B+** annual revenue



**21,000**  
associates



**150+**  
global offices



**50+**  
countries



**#1 distributor of**  
specialty pharmaceuticals



**#1 distributor of**  
animal health products



**50,000+**  
daily deliveries to  
healthcare facilities



**3MM+**  
products shipped daily



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Looking to fiscal 2019 and beyond,  
AmerisourceBergen will continue to  
invest, innovate, execute and grow.

”

## Our Areas of Focus: **Pharmaceutical-Centered Approach**



Specialty Medicines



Customer Partnerships



Community Providers



Cash Flow Generation

## Our Corporate and Social Responsibility

At AmerisourceBergen, we are united in our responsibility to create healthier futures. We recognize that we have a broader responsibility to make a positive impact through corporate citizenship—fostering a positive impact on the environment and society through the work we do, with the people who do it, and in the communities we serve.

The opioid epidemic is a crisis facing all of us in the healthcare industry and our country. AmerisourceBergen is committed to helping address this epidemic. We remain highly engaged and continue to mobilize efforts to help combat this crisis. As part of our role in the supply chain, we continue to report all orders for controlled substances to the Drug Enforcement Administration (DEA) and use data analytics tools to report and stop suspicious orders. Additionally, we collaborate with Walgreens Boots Alliance, our Good Neighbor Pharmacy network and others on the Safe Medication Disposal Kiosks take-back and safe drug disposal programs. Our supply chain responsibility remains providing distribution logistics for getting FDA-approved drugs from pharmaceutical manufacturers to DEA- and state-registered pharmacies that dispense them based on prescriptions written by licensed health care providers.

On the philanthropic side, the AmerisourceBergen Foundation continues to provide communities and non-profit organizations across the country with grants and resources to help combat the epidemic of opioid abuse. We will continue to listen, engage and support initiatives that help tackle this epidemic. In 2018, the foundation also made grants to multiple organizations to support the long-term disaster relief needs of communities impacted by recent natural



**We are united in our responsibility to create healthier futures.**

disasters—including those dealing with the recent fallout from hurricanes Florence, Michael and Matthew, which devastated Haiti. These efforts, focused on the delivery of critical medications, the operation of mobile medical units, establishment of temporary housing and shelter for both individuals and pets, and an enhanced pharmaceutical supply chain, continue to uphold the foundation's mission to support health-related causes that enrich the global community.

Our emphasis on good corporate citizenship also extends to social initiatives that ensure we shape a culture that values diversity. For the second year in a row, *DiversityInc* magazine recognized AmerisourceBergen for our continued momentum in diversity and inclusion practices. In addition, we are very proud that AmerisourceBergen received an award from Philadelphia's Forum of Executive Women in recognition of the gender diversity on our Board of Directors. Our Board of Directors is exceptionally well qualified and works closely with management to focus on the critical areas of governance, strategy and planning.





## Building Long-Term and Sustainable Growth

Looking to fiscal 2019 and beyond, AmerisourceBergen will continue to invest, innovate, execute and grow. We remain confident that our pharmaceutical-centric focus, unique portfolio of customers and businesses, differentiated customer experience, leadership in Specialty and strong financial stewardship will continue to position AmerisourceBergen for long-term growth and stockholder value creation. More than ever, we are united in our responsibility to create healthier futures.

As always, we appreciate your interest and investment in AmerisourceBergen.

Sincerely,

**Steven H. Collis**

Chairman, President & Chief Executive Officer

# Management Team



**Steven H. Collis**  
Chairman, President and  
Chief Executive Officer



**James F. Cleary, Jr.**  
Executive Vice President and  
Chief Financial Officer



**Silvana Battaglia**  
Executive Vice President and  
Chief Human Resources Officer



**John G. Chou**  
Executive Vice President and  
Chief Legal & Business Officer



**Gina K. Clark**  
Executive Vice President and  
Chief Communications &  
Administration Officer



**Robert P. Mauch**  
Executive Vice President  
and Group President

## Corporate Officers

*As of February 28, 2019*

### **Steven H. Collis**

Chairman, President and Chief Executive Officer

### **James F. Cleary, Jr.**

EVP and Chief Financial Officer

### **Silvana Battaglia**

EVP and Chief Human Resources Officer

### **John G. Chou**

EVP and Chief Legal & Business Officer

### **Gina K. Clark**

EVP and Chief Communications &  
Administration Officer

### **Dale B. Danilewitz**

EVP and Chief Information Officer

### **Kathy H. Gaddes**

EVP and Chief Compliance Officer

### **Robert P. Mauch**

EVP and Group President

### **Lazarus Krikorian**

SVP and Chief Accounting Officer

### **Hyung Bak**

SVP, Group General Counsel and Secretary

### **J.F. Quinn**

VP and Corporate Treasurer



# Board of Directors



**Steven H. Collis**



**Jane E. Henney, M.D.**



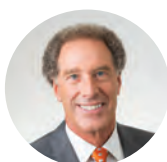
**Ornella Barra**



**D. Mark Durcan**



**Richard W. Gochbauer**



**Lon R. Greenberg**



**Kathleen W. Hyle**



**Michael J. Long**



**Henry W. McGee**

## **Steven H. Collis** <sup>5\*</sup>

Chairman of the Board, President and Chief Executive Officer

## **Jane E. Henney, M.D.** <sup>5\*\*</sup>

Retired Professor, Internal Medicine and Public Health Service, College of Medicine at the University of Cincinnati and Home Secretary for the National Academy of Medicine

## **Ornella Barra** <sup>3</sup>

Co-Chief Operating Officer for Walgreens Boots Alliance, Inc.

## **D. Mark Durcan** <sup>1,3</sup>

Retired Chief Executive Officer of Micron Technology, Inc.

## **Richard W. Gochbauer** <sup>2,3\*,5</sup>

Retired President & Chief Executive Officer of United Stationers

## **Lon R. Greenberg** <sup>1\*,4,5</sup>

Retired Chairman of the Board and Chief Executive Officer of UGI Corporation

## **Kathleen W. Hyle** <sup>2,3</sup>

Former Senior Vice President of Constellation Energy and Chief Operating Officer of Constellation Energy Resources

## **Michael J. Long** <sup>2\*,4,5</sup>

Chairman, President and Chief Executive Officer of Arrow Electronics, Inc.

## **Henry W. McGee** <sup>1,4\*,5</sup>

Senior Lecturer, Harvard Business School and retired President of HBO Home Entertainment

### COMMITTEES OF THE BOARD

*As of February 28, 2019*

- 1 Audit Committee
- 2 Compensation and Succession Planning Committee
- 3 Finance Committee
- 4 Governance and Nominating Committee
- 5 Executive Committee

\* Denotes Committee Chair

\*\* Dr. Jane Henney, as Lead Independent Director, serves as an ex-officio member of each of the Committees.

# GAAP / Non-GAAP Financial Measures

To supplement the financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), AmerisourceBergen uses certain non-GAAP financial measures. This Annual Report uses the non-GAAP financial measure adjusted diluted earnings per share ("Adjusted non-GAAP EPS"). Adjusted non-GAAP EPS should be viewed in addition to, and not in lieu of, diluted earnings per share and other financial measures calculated in accordance with GAAP. This supplemental measure may vary from, and may not be comparable to, similarly titled measures by other companies in our industry.

Through fiscal 2016, we adjusted the number of diluted weighted average common shares outstanding in presenting adjusted diluted earnings per share to exclude the dilutive impact of the Warrants prior to their exercise and the shares purchased under our special share repurchase programs, net of the weighted average number of shares issued related to the exercises of the Warrants. Adjusted non-GAAP EPS excludes the per share impact of adjustments including Warrants expense, and the related interest expense incurred in connection with the \$600 million of 1.15% senior notes that were repaid

in May 2017; gain from antitrust litigation settlements; LIFO expense/credit; PharMEDium remediation costs; costs related to the New York State Opioid Stewardship Act; goodwill impairment charge; acquisition-related intangibles amortization; employee severance, litigation, and other; loss on consolidation of equity investments; impairment of non-customer note receivable; loss on early retirement of debt and the charge related to a pension settlement; in each case net of the tax effect calculated using the applicable effective tax rate for those items. In addition, the per share one-time impact of U.S. tax reform is excluded from Adjusted non-GAAP EPS. U.S. tax reform includes a benefit from 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. Management believes that this non-GAAP financial measure is useful to investors because it eliminates the per share impact of the items that are outside the control of the Company or that we consider to not be indicative of our ongoing operating performance due to their inherent unusual, non-operating, unpredictable, non-recurring, or non-cash nature.

The following is a reconciliation of the GAAP metric of diluted earnings per share to Adjusted non-GAAP EPS:

	FY 2018	FY 2017	FY 2016
GAAP	\$ 7.53	\$1.64	\$6.32
Warrants expense <sup>1</sup>	—	0.02	(1.66)
Gain from Antitrust Litigation Settlements	(0.12)	—	(0.35)
LIFO expense (credit)	0.22	(0.46)	0.53
PharMEDium remediation costs	0.22	—	—
New York State Opioid Stewardship Act	0.07	—	—
Goodwill impairment charge	0.10	—	—
Acquisition-related intangibles amortization	0.56	0.45	0.39
Employee severance, litigation, and other <sup>2</sup>	0.28	4.23	0.27
Loss on consolidation of equity investments	0.19	—	—
Impairment of non-customer note receivable	0.14	—	—
Loss on early retirement of debt	0.08	—	—
Tax reform <sup>3</sup>	(2.78)	—	—
Pension settlement	—	—	0.13
Rounding	—	—	(0.01)
<b>Adjusted non-GAAP</b>	<b>\$6.49</b>	<b>\$5.88</b>	<b>\$5.62</b>

1 In connection with the fiscal 2014 special \$650 million share repurchase program, which was established to mitigate the dilutive effect of the warrants issued to Walgreens Boots Alliance, Inc., 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 Includes \$914.4 million for litigation settlements and accruals with no corresponding income tax benefit in the fiscal year ended September 30, 2017.

3 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.



# Corporate Information

## Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained in this report are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as “expect,” “likely,” “outlook,” “forecast,” “would,” “could,” “should,” “can,” “project,” “intend,” “plan,” “continue,” “sustain,” “synergy,” “on track,” “believe,” “seek,” “estimate,” “anticipate,” “may,” “possible,” “assume,” variations of such words, and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and are subject to uncertainty and change in circumstances. These statements are not guarantees of future performance and are based on assumptions that could prove incorrect or could cause actual results to vary materially from those indicated. Among the factors that could cause actual results to differ materially from those projected, anticipated, or implied are the following: unfavorable trends in brand and generic pharmaceutical pricing, including in rate or frequency of price inflation or deflation; competition and industry consolidation of both customers and suppliers resulting in increasing pressure to reduce prices for our products and services; changes in pharmaceutical market growth rates; changes in the United States healthcare and regulatory environment, including changes that could impact prescription drug reimbursement under Medicare and Medicaid; increasing governmental regulations regarding the pharmaceutical supply channel and pharmaceutical compounding; declining reimbursement rates for pharmaceuticals; federal and state government enforcement initiatives to detect and prevent suspicious orders of controlled substances and the diversion of controlled substances; increased public concern over the abuse of opioid medications; prosecution or suit by federal, state and other governmental entities of alleged violations of laws and regulations regarding controlled substances, and any related disputes, including shareholder derivative lawsuits; increased federal scrutiny and litigation, including qui tam litigation, for alleged violations of laws and regulations governing the marketing, sale, purchase and/or dispensing of pharmaceutical products or services, and associated reserves and costs; 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 or enforcement action, including a consent decree, in connection with the production, labeling or packaging of products compounded by our compounded sterile preparations (CSP) business; suspension of production of CSPs, including continued suspension at our Memphis facility; 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; financial market volatility and disruption; substantial defaults in payment, material reduction in purchases by or the loss, bankruptcy or insolvency of a major customer; the loss, bankruptcy or insolvency of a major supplier; changes to the customer or supplier mix; malfunction, failure or breach of sophisticated information systems to operate as designed; risks generally associated with data privacy regulation and the international transfer of personal data; natural disasters or other unexpected events that affect the Company’s operations; the impairment of goodwill or other intangible assets (including with respect to foreign operations), resulting in a charge to earnings; the acquisition of businesses that do not perform as expected, or that are difficult to integrate or control, including the integration of H. D. Smith and PharMEDium, or the inability to capture all of the anticipated synergies related thereto or to capture the anticipated synergies within the expected time period; the effects of disruption from the transactions on the respective businesses of the Company and H. D. Smith and the fact that the transactions may make it more difficult to establish or maintain relationships with employees, suppliers, customers and other business partners; the Company’s ability to manage and complete divestitures; 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; declining economic conditions in the United States and abroad; 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, 2018 and elsewhere in that report and (ii) in other reports filed by the Company pursuant to the Securities Exchange Act.

## Stockholder Services

Our transfer agent, Computershare, can help you with a variety of stockholder services, including:

- Change of address
- Lost stock certificates
- Stock transfer
- Account consolidation

## Computershare Can Be Reached At:

**Telephone:** 866-233-1957, or TDD 800-231-5469

Outside U.S.: 201-680-6578, or TDD 201-680-6610

**Internet:** [www.computershare.com](http://www.computershare.com)

**Mail:** AmerisourceBergen Corporation  
c/o Computershare

P.O. Box 43078 Providence, RI 02940-3078

**Email:** [Support.ServiceCenter@cpushareownerservices.com](mailto:Support.ServiceCenter@cpushareownerservices.com)

## Additional Information

Financial documents, such as our Annual Report on Form 10-K, and quarterly reports on Form 10-Q, and other reports and filings, such as the Company’s Code of Ethics and Business Conduct, may be obtained from the Company website at [investor.amerisourcebergen.com](http://investor.amerisourcebergen.com), or by calling the Company’s Investor Relations Department at 610-727-7000.

## Investor Relations

Stockholders, security analysts, portfolio managers and other investors desiring further information about the Company should contact:

**Bennett S. Murphy**, Vice President, Investor Relations

Phone: 610-727-3693

Email: [bmurphy@amerisourcebergen.com](mailto:bmurphy@amerisourcebergen.com)

## Annual Meeting of Stockholders

February 28, 2019 at 2:00p.m. Eastern Time at Sofitel Hotel in Philadelphia, Pennsylvania

## Independent Registered Public Accounting Firm

Ernst & Young LLP, Philadelphia, Pennsylvania

## Stock Listing

AmerisourceBergen Corporation is listed on The New York Stock Exchange under the symbol ABC.



Where knowledge,  
reach and partnership  
shape healthcare delivery.