



McKesson Corporation (MCK)

Updated November 28th, 2025, by Josh Arnold

Key Metrics

| | | | | | |
|-----------------------------|-------|--|-------------|----------------------------------|----------|
| Current Price: | \$884 | 5 Year CAGR Estimate: | 9.3% | Market Cap: | \$109 B |
| Fair Value Price: | \$734 | 5 Year Growth Estimate: | 13.0% | Ex-Dividend Date: | 12/02/25 |
| % Fair Value: | 120% | 5 Year Valuation Multiple Estimate: | -3.6% | Dividend Payment Date: | 01/02/26 |
| Dividend Yield: | 0.4% | 5 Year Price Target | \$1,353 | Years Of Dividend Growth: | 18 |
| Dividend Risk Score: | A | Sector: | Health Care | Rating: | Hold |

Overview & Current Events

McKesson Corporation traces its lineage to 1833 when its founders began to offer wholesale chemicals and pharmaceuticals in New York City. In the 190 years since, McKesson has grown into a powerhouse in the pharmaceutical and medical distribution industry and today, generates more than \$400 billion in annual revenue and trades with a \$109 billion market capitalization.

McKesson posted second quarter earnings on November 5th, 2025, and results were mixed. Adjusted earnings-per-share came to \$9.86, which was 81 cents better than expected. Revenue was up 10% year-on-year to \$103.15 billion, but missed estimates by almost a billion dollars. Growth was led by North America Pharmaceutical and Oncology, as well as Multispecialty. GLP-1 revenue was more than \$13 billion.

Gross profit was \$3.5 billion, which was up 9% year-over-year, but rose less quickly than revenue. Operating profit was \$1.6 billion, which soared 26% year-over-year as operating expenses fell, creating significant leverage from rising revenue.

The company produced \$2.2 billion in free cash flow, and returned \$907 million to shareholders via repurchases and dividends. McKesson ended the quarter with \$4 billion in cash and equivalents.

McKesson raised guidance again, and we've boosted our estimate to \$38.65 in adjusted earnings-per-share for this year after another very strong quarter.

Growth on a Per-Share Basis

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|---------------------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|----------------|
| EPS | \$9.84 | \$11.61 | \$12.62 | \$13.57 | \$14.95 | \$17.21 | \$23.69 | \$25.94 | \$27.44 | \$33.05 | \$38.65 | \$71.21 |
| DPS | \$1.08 | \$1.12 | \$1.30 | \$1.51 | \$1.62 | \$1.67 | \$1.83 | \$2.09 | \$2.48 | \$2.66 | \$3.28 | \$6.60 |
| Shares¹ | 225 | 211 | 202 | 191 | 173 | 158 | 145 | 136 | 130 | 125 | 120 | 100 |

McKesson's earnings-per-share history is quite robust, having grown nearly every year in the past decade. Indeed, McKesson has managed to average more than 10% earnings-per-share growth annually over this time frame through organic revenue growth and many acquisitions. We believe that sort of growth is likely for the foreseeable future as McKesson continues to wow investors with consistent earnings expansion. We now see 13% annual growth for earnings looking forward from what would easily be a record in 2026.

McKesson can achieve this result largely via revenue gains, as it continues to acquire growth in bolt-on acquisitions with companies that supplement its current offerings, a strategy that is unlikely to change. Margins have been flat for some time, so we expect that will continue. Organic sales growth has also been improving.

The buyback should continue to meaningfully reduce the float over time, which we see as a key driver of earnings-per-share growth. We remain somewhat cautious due to an increasingly hostile regulatory environment for drug wholesalers like McKesson. In addition, constant pressure on pricing from regulators, as well as strong generic conversion are

¹ Share count in millions

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headwinds. However, recent results have been quite supportive of long-term growth, and commentary from management has been very bullish, including updated guidance for fiscal 2026.

The dividend has never been a priority for McKesson and that is not likely to change anytime soon. We see the payout rising from today's \$3.28 to \$6.60 in five years, but the dividend remains just a small fraction of earnings, and the yield is very low as a result.

Valuation Analysis

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Now | 2031 |
|-----------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | 20.1 | 14.1 | 12.0 | 9.7 | 9.3 | 9.4 | 9.3 | 14.1 | 19.6 | 20.4 | 22.9 | 19.0 |
| Avg. Yld. | 0.5% | 0.7% | 0.5% | 1.1% | 1.2% | 1.0% | 0.8% | 0.6% | 0.5% | 0.4% | 0.4% | 0.5% |

The stock's price-to-earnings ratio has ebbed and flowed in the past decade but today, at 22.9 times earnings, it appears to be quite overvalued relative to its historical norm. We now see fair value as 19 times earnings given the rapid expansion in earnings growth and thus, McKesson looks slightly overvalued at the moment. This could provide a headwind to total returns over the next five years if the stock's valuation reverts to more normalized levels. The yield should remain about where it is for the foreseeable future, and we note McKesson is not a high-income stock, and almost certainly won't be for a long time to come.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|--------|------|------|------|------|------|------|------|------|------|------|-----------|-----------|
| Payout | 11% | 10% | 10% | 11% | 11% | 10% | 8% | 8% | 9% | 8% | 8% | 9% |

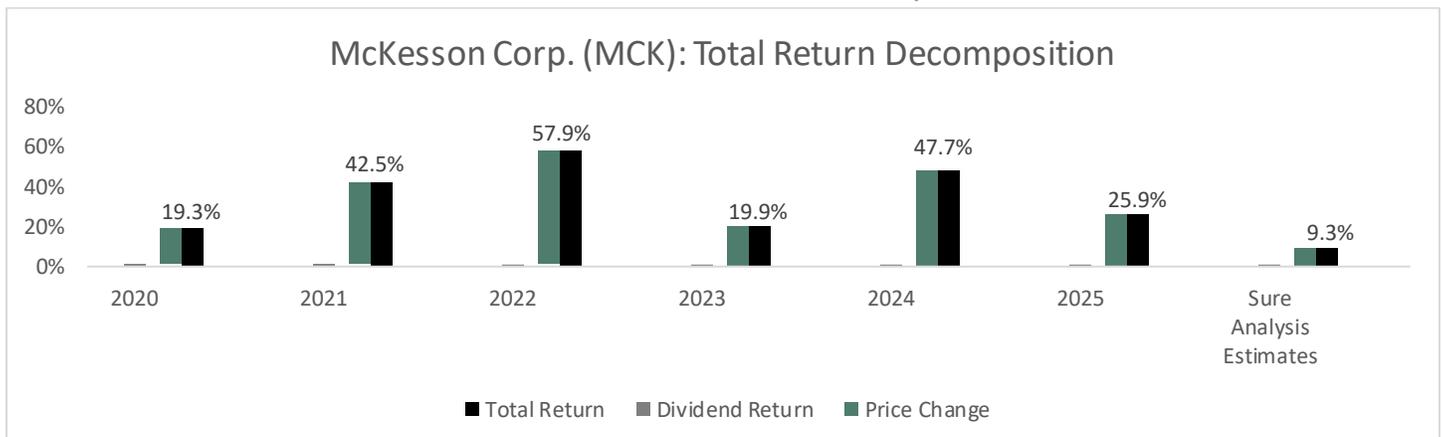
The payout ratio will remain very low, barring a material strategic shift, which we are not forecasting. Instead, McKesson will almost certainly continue to boost earnings-per-share by reducing the float.

Its competitive advantage is in its willingness to adapt and shift to the changing needs of its customers, its willingness to buy growth and its immense scale, which affords purchasing power. In addition, the company is constantly reevaluating its portfolio, divesting non-core assets, and using proceeds to acquire future growth. McKesson held up well during the COVID crisis given its product assortment that offers healthcare consumers things they need, and not discretionary items.

Final Thoughts & Recommendation

McKesson offers a strong growth outlook, a robust share repurchase program, but a valuation that is ahead of our view of fair value. We are forecasting 9.3% annual total returns going forward, consisting of the current 0.4% yield, 13% earnings-per-share growth and a 0.4% headwind from a contracting valuation. We reiterate our hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------------|--------|--------|--------|--------|--------|---------|--------|--------|--------|--------|
| Revenue (\$B) | 190.9 | 198.5 | 208.4 | 214.3 | 231.1 | 238.2 | 264.0 | 276.7 | 309.0 | 359.1 |
| Gross Profit | 11,416 | 11,271 | 11,184 | 11,754 | 12,023 | 12,148 | 13,130 | 12,358 | 12,828 | 12,485 |
| Gross Margin | 6.0% | 5.7% | 5.4% | 5.5% | 5.2% | 5.1% | 5.0% | 4.5% | 4.2% | 3.5% |
| SG&A Exp. | 7,379 | 7,447 | 8,138 | 8,403 | 9,168 | 8,849 | 10,537 | 7,776 | 8,657 | 8,507 |
| D&A Exp. | 885 | 910 | 951 | 949 | 922 | 887 | 760 | 608 | 635 | 636 |
| Operating Profit | 3,645 | 3,483 | 2,921 | 3,280 | 2,759 | 3,299 | 2,593 | 4,582 | 4,171 | 4,372 |
| Operating Margin | 1.9% | 1.8% | 1.4% | 1.5% | 1.2% | 1.4% | 1.0% | 1.7% | 1.4% | 1.2% |
| Net Profit | 2,258 | 5,070 | 67 | 34 | 900 | (4,539) | 1,114 | 3,560 | 3,002 | 3,481 |
| Net Margin | 1.2% | 2.6% | 0.0% | 0.0% | 0.4% | -1.9% | 0.4% | 1.3% | 1.0% | 1.0% |
| Free Cash Flow | 2,995 | 4,182 | 3,765 | 3,479 | 3,868 | 3,901 | 3,899 | 4,601 | 3,627 | 5,226 |
| Income Tax | 908 | 1,614 | (53) | 356 | 18 | (695) | 636 | 905 | 629 | 878 |

Balance Sheet Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--------------------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|
| Total Assets | 56,523 | 60,969 | 60,381 | 59,672 | 61,247 | 65,015 | 63,298 | 62,320 | 67,443 | 75,140 |
| Cash & Equivalents | 4,048 | 2,783 | 2,672 | 2,981 | 4,015 | 6,278 | 3,532 | 4,678 | 4,583 | 5,956 |
| Acc. Receivable | 14,519 | 14,602 | 14,349 | 14,941 | 17,201 | 17,106 | 16,438 | 17,160 | 19,439 | 21,781 |
| Inventories | 15,335 | 15,278 | 16,310 | 16,709 | 16,734 | 19,246 | 18,702 | 19,691 | 21,139 | 23,001 |
| Goodwill & Int. | 12,807 | 14,251 | 15,026 | 13,047 | 12,516 | 12,371 | 11,510 | 12,224 | 12,242 | 12,167 |
| Total Liabilities | 47,515 | 49,696 | 50,324 | 51,385 | 55,938 | 64,840 | 65,090 | 63,810 | 69,042 | 76,834 |
| Accounts Payable | 28,585 | 31,022 | 32,177 | 33,853 | 37,195 | 38,975 | 38,086 | 42,490 | 47,097 | 55,330 |
| Long-Term Debt | 8,114 | 8,545 | 7,880 | 7,595 | 7,387 | 7,148 | 5,879 | 5,594 | 5,629 | 7,390 |
| Total Equity | 8,924 | 11,095 | 9,804 | 8,094 | 5,092 | (21) | (2,272) | (1,857) | (1,971) | (2,074) |
| LTD/E Ratio | 0.91 | 0.77 | 0.80 | 0.94 | 1.45 | --- | -2.59 | -3.01 | -2.86 | -3.56 |

Profitability & Per Share Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
| Return on Assets | 4.1% | 8.6% | 0.1% | 0.1% | 1.5% | -7.2% | 1.7% | 5.7% | 4.6% | 4.9% |
| Return on Equity | 26.7% | 50.7% | 0.6% | 0.4% | 13.7% | -179% | --- | --- | --- | --- |
| ROIC | 12.9% | 27.4% | 0.4% | 0.2% | 6.3% | -45.3% | 17.6% | 86.9% | 73.8% | 60.6% |
| Shares Out. | 225 | 211 | 202 | 191 | 173 | 158 | 154 | 142 | 134 | 128 |
| Revenue/Share | 819.24 | 890.28 | 996.92 | 1,087.9 | 1,269.5 | 1,483.4 | 1,713.0 | 1,945.9 | 2,303.9 | 2,802.9 |
| FCF/Share | 12.85 | 18.75 | 18.01 | 17.66 | 21.25 | 24.29 | 25.30 | 32.36 | 27.0 | 40.8 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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