

MCKESSON CORP
Form 424B3
March 05, 2014
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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-179879

The information in this preliminary prospectus supplement is not complete and may be changed. We are not using this preliminary prospectus supplement and the accompanying prospectus to offer to sell these securities or to solicit offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED MARCH 5, 2014

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated March 2, 2012)

\$

McKesson Corporation

\$ Floating Rate Notes due 2015

\$ % Notes due 2017

\$ % Notes due 2019

\$ % Notes due 2024

\$ % Notes due 2044

The floating rate notes due 2015, which we refer to as the 2015 floating rate notes, will mature on September , 2015, the % notes due 2017, which we refer to as the 2017 fixed rate notes, will mature on March , 2017, the % notes due 2019, which we refer to as the 2019 fixed rate notes, will mature on March , 2019, the % notes due 2024, which we refer to as the 2024 fixed rate notes, will mature on March , 2024 and the % notes due 2044, which we refer to as the 2044 fixed rate notes, will mature on March , 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 fixed rate notes on and of each year, beginning , 2014. The 2015 floating rate notes will bear interest at a floating rate equal to three-month LIBOR plus %. We will pay interest on the 2015 floating rate notes on

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, , and of each year, beginning , 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	%	%	%
Total	\$	\$	\$
Per 2017 Fixed Rate Note	%	%	%
Total	\$	\$	\$
Per 2019 Fixed Rate Note	%	%	%
Total	\$	\$	\$
Per 2024 Fixed Rate Note	%	%	%
Total	\$	\$	\$
Per 2044 Fixed Rate Note	%	%	%
Total	\$	\$	\$

(1) Plus accrued interest from March , 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 , 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.

March , 2014

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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.

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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 comparative 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.

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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.

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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.

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The Offering

Issuer McKesson Corporation

Securities Offered \$ aggregate principal amount of floating rate notes due 2015.

\$ aggregate principal amount of % notes due 2017.

\$ aggregate principal amount of % notes due 2019.

\$ aggregate principal amount of % notes due 2024.

\$ aggregate principal amount of % notes due 2044.

Maturity Date 2015 floating rate notes September , 2015.

2017 fixed rate notes March , 2017.

2019 fixed rate notes March , 2019.

2024 fixed rate notes March , 2024.

2044 fixed rate notes March , 2044.

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

2017 notes % per year.

2019 notes % per year.

2024 notes % per year.

2044 notes % per year.

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

Interest will be paid on the fixed rate notes on and of each year, beginning on , 2014.

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Interest on the notes will accrue from March , 2014.

Use of Proceeds

We estimate that we will receive approximately \$ 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.

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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. and Merrill Lynch, Pierce, Fenner & Smith Incorporated will each receive more than 5% of the proceeds of this offering, not including underwriting compensation, Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated 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 account holder. 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.

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.

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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.

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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	Year Ended
	December 31,	March 31,
	2013	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

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	Pro Forma	
	Nine Months	
	Ended	Year Ended
	December 31,	March 31,
	2013	2013
(in millions, except per share and ratio data)	(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.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately \$, 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.

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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	\$
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	