

Coronavirus Update: February 20, 2020

Dear Valued Customer,

As you know, we have experienced a surge in global demand for personal protective equipment (PPE). This surge is fueled by many forces; in particular, by the outbreak of COVID-19 (coronavirus) and a strong and persistent flu and illness season. Like many manufacturers and distributors, McKesson sources many of its PPE products from China. Over the past few weeks, our partners in China have been unable to produce and direct output towards our resupply orders. Furthermore, they tell us that they are uncertain as to when they might be able to return to both normal production and shipping levels. We believe that this dynamic is affecting many firms in our industry, although each firm may be affected relatively more or less depending on their customer mix and how much supply they receive from China-based partners.

Given the surge in demand and our relative inability to receive resupply, we foresee a time in the near future (within a few weeks) when we will begin to stock out of select PPE items. This outlook could change for the better if the situation in China changes very soon. We do have some sources of product within the U.S. and in other foreign countries. We are doing all we can to procure product from those sources, as well as working to identify new sources. Unfortunately, most other firms, including those representing Chinese demand, are doing the same. Our chances of finding fully adequate resupply from entirely new sources are not good. That is the situation we find ourselves in today.

With this in mind, we made some difficult decisions in order to take care of as many providers and patients as possible, to take care of those most in need and to do so for as long as possible. We have stopped selling PPE items in short supply to resellers and consumer websites. We have stopped taking orders for PPE items from new customers. And, importantly, we have limited unit sales to existing customers. These are imperfect actions to be sure. There are many cases to be made why we should supply more or less product to some providers and not others. It is also difficult to operationalize varying allocation methodologies. We encourage you to discuss this situation with your management and care teams and plan wisely for the coming weeks and months. Please know that we will continue to do everything we can to stabilize our supply chain and inventories as quickly as possible. We will continue to bring the full talent, reach and scale of McKesson to help mitigate and resolve this complex situation.

We recognize that this situation and our response to it are equally serious. We understand that your providers and patients are facing difficult challenges and decisions of their own. We will continue to strive to communicate often and openly with you. Thank you for your partnership. Thank you for your trust and patience. And thank you for taking care of our communities, during the best of times and the hardest of times.

Sincerely,

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