MCKESSON CORP
Form 10-Q
July 26, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 1-13252

McKESSON CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	94-3207296
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Post Street, San Francisco, California	94104
(Address of principal executive offices)	(Zip Code)

(415) 983-8300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of June 30, 2018
Common stock, $0.01 par value	199,770,971 shares

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PART I—FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Quarter Ended June 30,	
	2018	2017
Revenues	$52,607	$51,051
Cost of Sales	(49,828)	(48,491)
Gross Profit	2,779	2,560
Operating Expenses	(2,127)	(1,927)
Goodwill Impairment Charges	(570)	—
Restructuring and Asset Impairment Charges	(96)	—
Gain from Escrow Settlement	97	—
Total Operating Expenses	(2,696)	(1,927)
Operating Income	83	633
Other Income, Net	40	13
Loss from Equity Method Investment in Change Healthcare	(56)	(120)
Interest Expense	(61)	(68)
Income from Continuing Operations Before Income Taxes	6	458
Income Tax Expense	(87)	(95)
Income (Loss) from Continuing Operations	(81)	363
Income from Discontinued Operations, Net of Tax	1	2
Net Income (Loss)	(80)	365
Net Income Attributable to Noncontrolling Interests	(58)	(56)
Net Income (Loss) Attributable to McKesson Corporation	$(138)	$309
Earnings (Loss) Per Common Share Attributable to McKesson Corporation		
Diluted		
Continuing operations	$(0.69)	$1.44
Discontinued operations	0.01	0.01
Total	$(0.68)	$1.45
Basic		
Continuing operations	$(0.69)	$1.46
Discontinued operations	0.01	—
Total	$(0.68)	$1.46
Dividends Declared Per Common Share	$0.34	$0.28
Weighted Average Common Shares		
Diluted	202	213
Basic	202	211

See Financial Notes

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Quarter Ended June 30,	
	2018	2017
Net Income (Loss)	$(80)	$365
Other Comprehensive Income (Loss), Net of Tax		
Foreign currency translation adjustments arising during the period	(129)	312
Unrealized gains on cash flow hedges arising during the period	—	14
Retirement-related benefit plans	8	(5)
Other Comprehensive Income (Loss), Net of Tax	(121)	321
Comprehensive Income (Loss)	(201)	686
Comprehensive Income Attributable to Noncontrolling Interests	(21)	(172)
Comprehensive Income (Loss) Attributable to McKesson Corporation	$(222)	$514

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CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)
(Unaudited)

	June 30, 2018	March 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	$2,199	$2,672
Receivables, net	19,093	17,711
Inventories, net	16,364	16,310
Prepaid expenses and other	558	443
Total Current Assets	38,214	37,136
Property, Plant and Equipment, Net	2,483	2,464
Goodwill	10,585	10,924
Intangible Assets, Net	4,258	4,102
Equity Method Investment in Change Healthcare	3,672	3,728
Other Noncurrent Assets	2,070	2,027
Total Assets	$61,282	$60,381
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Current Liabilities		
Drafts and accounts payable	$32,063	$32,177
Short-term borrowings	2,033	—
Current portion of long-term debt	1,127	1,129
Other accrued liabilities	3,125	3,379
Total Current Liabilities	38,348	36,685
Long-Term Debt	6,592	6,751
Long-Term Deferred Tax Liabilities	2,825	2,804
Other Noncurrent Liabilities	2,448	2,625
Redeemable Noncontrolling Interests	1,422	1,459
McKesson Corporation Stockholders' Equity		
Preferred stock, $0.01 par value, 100 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.01 par value, 800 shares authorized at June 30, 2018 and March 31, 2018, 275 shares issued at June 30, 2018 and March 31, 2018	3	3
Additional Paid-in Capital	6,372	6,188
Retained Earnings	12,932	12,986
Accumulated Other Comprehensive Loss	(1,801)	(1,717)
Other	(1)	(1)
Treasury Shares, at Cost, 76 and 73 at June 30, 2018 and March 31, 2018	(8,098)	(7,655)
Total McKesson Corporation Stockholders' Equity	9,407	9,804
Noncontrolling Interests	240	253
Total Equity	9,647	10,057
Total Liabilities, Redeemable Noncontrolling Interests and Equity	$61,282	$60,381

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Quarter Ended June 30, 2018	2017
Operating Activities		
Net income (loss)	$(80)	$365
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	235	227
Goodwill and asset impairment charges	610	—
Loss from equity method investment in Change Healthcare	56	120
Deferred taxes	45	85
Charges (credits) associated with last-in-first-out inventory method	(21)	26
Other non-cash items	(79)	7
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(1,414)	(363)
Inventories	(114)	(59)
Drafts and accounts payable	32	463
Taxes	(61)	(18)
Other	(270)	(112)
Net cash provided by (used in) operating activities	(1,061)	741
Investing Activities		
Payments for property, plant and equipment	(101)	(75)
Capitalized software expenditures	(44)	(43)
Acquisitions, net of cash, cash equivalents and restricted cash acquired	(826)	(1,485)
Other	96	5
Net cash used in investing activities	(875)	(1,598)
Financing Activities		
Proceeds from short-term borrowings	9,036	2,282
Repayments of short-term borrowings	(7,005)	(2,463)
Repayments of long-term debt	(2)	(541)
Common stock transactions:		
Issuances	22	27
Share repurchases, including shares surrendered for tax withholding	(307)	(300)
Dividends paid	(71)	(62)
Other	(132)	(74)
Net cash provided by (used in) financing activities	1,541	(1,131)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(78)	75
Net decrease in cash, cash equivalents and restricted cash	(473)	(1,913)
Cash, cash equivalents and restricted cash at beginning of period	2,672	4,254
Cash, cash equivalents and restricted cash at end of period	$2,199	$2,341

See Financial Notes

McKESSON CORPORATION
FINANCIAL NOTES
(UNAUDITED)

1. Significant Accounting Policies

Nature of Operations: McKesson Corporation ("McKesson," the "Company," the "Registrant" or "we" and other similar pronouns) delivers a comprehensive offering of pharmaceuticals and medical supplies and provides services to help our customers improve the efficiency and effectiveness of their healthcare operations. Commencing in the first quarter of 2019, our new segment reporting structure was implemented and we have reported our financial results in three reportable segments on a retrospective basis: U.S. Pharmaceutical and Specialty Solutions, European Pharmaceutical Solutions and Medical-Surgical Solutions. All remaining operating segments and business activities that are not significant enough to require separate reportable segment disclosure are included in Other. Refer to Financial Note 17, "Segments of Business" for more information.

Basis of Presentation: The condensed consolidated financial statements of McKesson include the financial statements of all wholly-owned subsidiaries and majority-owned or controlled companies. For those consolidated subsidiaries where our ownership is less than 100%, the portion of the net income or loss allocable to the noncontrolling interests is reported as "Net Income Attributable to Noncontrolling Interests" on the condensed consolidated statements of operations. All significant intercompany balances and transactions have been eliminated in consolidation including the intercompany portion of transactions with equity method investees.

We consider ourselves to control an entity if we are the majority owner of or have voting control over such entity. We also assess control through means other than voting rights ("variable interest entities" or "VIEs") and determine which business entity is the primary beneficiary of the VIE. We consolidate VIEs when it is determined that we are the primary beneficiary of the VIE. Investments in business entities in which we do not have control, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. Refer to Financial Note 2, "Healthcare Technology Net Asset Exchange" for further information on our equity method investment in Change Healthcare, LLC ("Change Healthcare").

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and, therefore, do not include all information and disclosures normally included in the annual consolidated financial statements.

To prepare the financial statements in conformity with GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of these financial statements and income and expenses during the reporting period. Actual amounts may differ from these estimated amounts. In our opinion, the accompanying unaudited condensed consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods presented.

The results of operations for the quarter ended June 30, 2018 are not necessarily indicative of the results that may be expected for the entire year. These interim financial statements should be read in conjunction with the annual audited financial statements, accounting policies and financial notes included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 previously filed with the SEC on May 24, 2018 ("2018 Annual Report").

The Company's fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references to a particular year shall mean the Company's fiscal year.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recently Adopted Accounting Pronouncements

Revenue Recognition: In the first quarter of 2019, we adopted amended guidance for revenue recognition using the modified retrospective method and applied the amended guidance to those contracts which were not completed as of April 1, 2018. Under the amended guidance, revenue is recognized when an entity satisfies a performance obligation by transferring control of a promised good or service to a customer in an amount that reflects the consideration to which the entity expects to be entitled for that good or service. The adoption of this amended guidance did not have a material impact on our condensed consolidated financial statements. Our equity method investee, Change Healthcare, is required to adopt the amended guidance no later than our first quarter of 2020. Change Healthcare is currently evaluating the adoption impact.

Revenues generated from distribution of pharmaceutical and medical products represent the majority of our revenues. We order product from the manufacturer, receive and carry the product at our central distribution facilities and deliver the product directly to our customers' warehouses, hospitals or retail pharmacies. The distribution business principally generates revenue from a contract related to a confirmed purchase order with a customer in a distribution arrangement. Revenue is recognized when control of goods is transferred to the customer which occurs upon our delivery to the customer or upon customer pick-up. We also earn revenues from a variety of other sources including our retail, services and technology businesses. Retail revenues are recognized at the point of sale. Service revenues, including technology service revenues, are recognized when services are provided to the customer. Revenues derived from distribution and retail business at the point of sale, and revenues derived from services represent approximately 98% and 2% of total revenues for the first quarter of 2019.

Revenues are recorded gross when we are the principal in the transaction, have ability to direct the use of the good or service prior to transfer to a customer, are responsible for fulfilling the promise to our customer, have latitude in establishing prices, and control the relationship with the customer. We record our revenues net of sales taxes. Revenues are measured based on the amount of consideration that we expect to receive, reduced by estimates for return allowances, other discounts and rebates. Sales returns are accrued based on estimates using historical data. Assets for the right to recover products from customers and the associated refund liabilities for return allowances were not material as of June 30, 2018. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in the selling, distribution and administrative expenses. We record deferred revenues when payments are received or due in advance of our performance. Deferred revenues are primarily from our services arrangements and are recognized as revenues over the periods when services are performed.

Upon adoption, we had no material contract assets, contract liabilities or deferred contract costs recorded on the consolidated balance sheets.

We have elected the practical expedient and generally expense costs to obtain a contract when incurred because the amortization period would have been one year or less. Additionally, we do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed and (iii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation.

Share-Based Payments: In the first quarter of 2019, we prospectively adopted amended guidance for employee share-based payment awards. This amendment provides guidance on which changes to terms or conditions of a share-based payment award require an entity to apply modification accounting. Under the amended guidance, we are required to account for the effects of a modification of the fair value, the vesting conditions or the classification (as an equity instrument or a liability instrument) of the modified award change from that of the original award immediately before the modification. The adoption of this amended guidance did not have a material effect on our condensed consolidated financial statements.
Compensation - Retirement Benefits: In the first quarter of 2019, we retrospectively adopted amended guidance which requires us to report the service cost component of defined benefit pension plans and other postretirement plans in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of net benefit cost are required to be presented in the statements of operations separately from the service cost component outside of operating income. The adoption of this amended guidance did not have a material effect on our condensed consolidated financial statements. This amended guidance only resulted in a change

in presentation of other components of net benefit costs on our condensed consolidated statement of operations (a reclassification from operating income to other income, net).

Derecognition of Nonfinancial Assets: In the first quarter of 2019, we adopted on a modified retrospective basis amended guidance that defines the term “in substance nonfinancial asset” as a financial asset promised to a counterparty in a contract if substantially all of the fair value of the asset that is promised is concentrated in nonfinancial assets. The scope of this amendment includes nonfinancial assets transferred within a legal entity including a parent entity’s transfer of nonfinancial assets by transferring ownership interests in consolidated subsidiaries. The amendment excludes all businesses and nonprofit activities from its scope and therefore all entities, with limited exceptions, are required to account for the derecognition of a business or nonprofit activity in accordance with the consolidation guidance once this amended guidance becomes effective. The adoption of this amended guidance did not have a material effect on our condensed consolidated financial statements.

Business Combinations: In the first quarter of 2019, we prospectively adopted amended guidance that clarifies the definition of a business to assist entities in evaluating whether transactions should be accounted for as acquisitions of assets or businesses. The amended guidance provides a practical screen to determine when an integrated set of assets and activities (collectively referred to as a “set”) is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. If the screen is not met, the amended guidance requires that to be considered a business, a set must include an input and a substantive process that together significantly contribute to the ability to create output. The adoption of this amended guidance did not have a material effect on our condensed consolidated financial statements.

Restricted Cash: In the first quarter of 2019, we retrospectively adopted amended guidance that requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts shown on the statement of cash flows. Transfers between cash and cash equivalents and restricted cash or restricted cash equivalents are not reported as cash flow activities in the statement of cash flows. Our restricted cash balances at June 30, 2018, March 31, 2018 and June 30, 2017 were not material. The adoption of this amended guidance had no effect on our consolidated statements of operations, comprehensive income or our consolidated balance sheets. This amended guidance resulted in a change in presentation of restricted cash on our condensed consolidated statement of cash flows.

Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory: In the first quarter of 2019, we adopted on a modified retrospective basis amended guidance that requires entities to recognize income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Upon adoption of this amended guidance, we recorded $152 million of deferred tax assets with a corresponding cumulative-effect increase to the beginning balance of retained earnings in our condensed consolidated financial statements for the tax consequences relating to an intra-entity transfer of certain software on December 19, 2016.

Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments: In the first quarter of 2019, we retrospectively adopted amended guidance that provides clarification on cash flow classification related to eight specific issues including contingent consideration payments made after a business combination and distributions received from equity method investees. The adoption of this amended guidance did not have a material effect on our condensed consolidated financial statements.

Financial Instruments: In the first quarter of 2019, we adopted amended guidance that requires equity investments, excluding equity method investments or investees that are consolidated, to be measured at fair value with changes in fair value recognized in net income and enhanced disclosures about those investments. The amended guidance also simplifies the impairment assessments of equity investments without readily determinable fair value. The adoption of this amended guidance did not have a material effect on our condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

Accumulated Other Comprehensive Income: In February 2018, amended guidance was issued to address a narrow-scope financial reporting issue that arose as a consequence of the 2017 Tax Cuts and Jobs Act (the “2017 Tax Act”). Existing guidance requires that deferred tax liabilities and assets be adjusted for a change in tax laws with the effect included in income from continuing operations in the reporting period that includes the enactment date. That guidance is applicable even in situations in which the related income tax effects of items in accumulated other comprehensive income were originally recognized in other comprehensive income rather in net income, such as amounts related to benefit plans and hedging activity. As a result, the tax effects of items within accumulated other comprehensive income do not reflect the appropriate tax rate. These differences are referred to as stranded tax effects. The amended guidance allows for a reclassification of only those amounts related to the 2017 Tax Act to retained earnings thereby eliminating the stranded tax effects. The amended guidance also requires certain disclosures about stranded tax effects. The amended guidance is effective for us beginning in the first quarter of 2020 on a prospective or retrospective basis. Early adoption is permitted. We are currently evaluating the impact of this amended guidance on our condensed consolidated financial statements.

Premium Amortization of Purchased Callable Debt Securities: In March 2017, amended guidance was issued to shorten the amortization period for certain callable debt securities held at a premium. The amended guidance requires the premium of callable debt securities to be amortized to the earliest call date but does not require an accounting change for securities held at a discount as they would still be amortized to maturity. The amended guidance is effective for us on a modified retrospective basis commencing in the first quarter of 2020. Early adoption is permitted. We are currently evaluating the impact of this amended guidance on our condensed consolidated financial statements.

Financial Instruments - Credit Losses: In June 2016, amended guidance was issued, which will change the impairment model for most financial assets and require additional disclosures. The amended guidance requires financial assets that are measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of financial assets. The amended guidance also requires us to consider historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount in estimating credit losses. The amended guidance becomes effective for us commencing in the first quarter of 2021 and will be applied through a cumulative-effect adjustment to the beginning retained earnings in the year of adoption. Early adoption is permitted. We are currently evaluating the impact of this amended guidance on our condensed consolidated financial statements.

Leases: In February 2016, amended guidance was issued for lease arrangements. The amended guidance will require lessees to recognize assets and liabilities on the balance sheet for all leases with terms longer than 12 months and provide enhanced disclosures on key information of leasing arrangements. The amended guidance is effective for us commencing in the first quarter of 2020. Early adoption is permitted. We plan to adopt the amended guidance on the effective date and expect that the adoption of the amended lease guidance will materially affect our consolidated balance sheet and will require certain changes to our systems and processes.

2. Healthcare Technology Net Asset Exchange

In the fourth quarter of 2017, we contributed the majority of our McKesson Technology Solutions businesses (“Core MTS Business”) to the newly formed joint venture, Change Healthcare, under the terms of a contribution agreement previously entered into between McKesson and Change Healthcare Holdings, Inc. (“Change”) and others including shareholders of Change. We retained our RelayHealth Pharmacy and Enterprise Information Solutions (“EIS”) businesses. The EIS business was subsequently sold to a third party in the third quarter of 2018. In exchange for the contribution, we own 70% of the joint venture with the remaining equity ownership held by shareholders of Change. The joint venture is jointly governed by us and shareholders of Change.

Gain from Healthcare Technology Net Asset Exchange

We accounted for this transaction as a sale of the Core MTS Business and a subsequent purchase of a 70% interest in the newly formed joint venture. Accordingly, in the fourth quarter of 2017, we deconsolidated the Core MTS Business and recorded a pre-tax gain of $3,947 million (after-tax gain of $3,018 million). Additionally, in the first quarter of 2018, we recorded a pre-tax gain of $37 million (after-tax gain of $22 million) in operating expenses in the accompanying condensed consolidated statement of operations upon the finalization of net working capital and other adjustments.

Equity Method Investment in Change Healthcare

Our investment in the joint venture is accounted for using the equity method of accounting with a one-month reporting lag. During the first quarters of 2019 and 2018, we recorded our proportionate share of loss from Change Healthcare of $56 million and $120 million, which included transaction and integration expenses incurred by the joint venture and fair value adjustments including incremental intangible assets amortization associated with basis differences. These amounts were recorded under the caption, “Loss from Equity Method Investment in Change Healthcare,” in our condensed consolidated statement of operations.

At June 30, 2018 and March 31, 2018, the carrying value of our investment was $3,672 million and $3,728 million, which exceeded our proportionate share of the joint venture’s book value of net assets by approximately $4,422 million and $4,472 million, primarily reflecting equity method intangible assets, goodwill and other fair value adjustments.

Summarized financial information (unaudited) of Change Healthcare is as follows:

	Quarter Ended June 30,

(In millions)	2018	2017
Revenues	$856	$865
Income (Loss) from Continuing Operations	7	(84)
Net Income (Loss)	7	(84)

Our proportionate share of Change Healthcare's net income or loss as reported for the first quarters of 2019 and 2018 was net income of $5 million (our 70% ownership of $7 million) and net loss of $59 million (our 70% ownership of $84 million). The effects of fair value adjustments from the joint venture's carrying value to the initial fair value basis of accounting for McKesson were $61 million and $120 million for the first quarters of 2019 and 2018, which were included in our proportionate share of income or loss from this equity method investment. The amortization of fair value adjustments primarily included incremental intangible amortization and removal of profit associated with the recognition of deferred revenue, as well as the basis differences of long-term debt. There were also certain initial basis differences between the joint venture and McKesson.

Related Party Transactions

In connection with the transaction, McKesson, Change Healthcare and certain shareholders of Change entered into various ancillary agreements, including transition services agreements ("TSA"), a transaction and advisory fee agreement ("Advisory Agreement"), a tax receivable agreement ("TRA") and certain other commercial agreements. Fees incurred or earned from TSA and Advisory agreements were not material for the first quarters of 2019 and 2018.

At June 30, 2018 and March 31, 2018, we had a $90 million noncurrent liability payable to Change Healthcare shareholders associated with the TRA. The amount of liability is determined based on certain estimates and could become payable in periods after a disposition of our investment in Change Healthcare.

Revenues recognized and expenses incurred under commercial arrangements with Change Healthcare were not material during the first quarters of 2019 and 2018. At June 30, 2018 and March 31, 2018, receivables due from the joint venture were not material.

3. Goodwill Impairment Charges

We recorded non-cash pre-tax goodwill impairment charges of $570 million within our European Pharmaceutical Solutions segment in the first quarter of 2019. The charges were recorded under the caption, "Goodwill Impairment Charges" in the accompanying condensed consolidated statement of operations.

Goodwill impairment testing is conducted at the reporting unit level, which is generally defined as an operating segment or one level below an operating segment (also known as a component), for which discrete financial information is available and segment management regularly reviews the operating results of that reporting unit. We evaluate goodwill for impairment on an annual basis as of January 1 each year and at an interim date, if indicators of potential impairment exist.

Commencing in the first quarter of 2019, a new segment reporting structure was implemented which resulted in three reportable segments: U.S. Pharmaceutical and Specialty Solutions, European Pharmaceutical Solutions and Medical-Surgical Solutions, as previously disclosed in our 2018 Annual Report. Prior to implementing the new segment reporting structure, our European operations were considered a single reporting unit. Following the change in reportable segments, our European Pharmaceutical Solutions segment was split into two distinct reporting units - retail pharmacy operations ("Consumer Solutions") and wholesale operations ("Pharmacy Solutions") for purposes of goodwill impairment testing. As a result, we were required to perform a goodwill impairment test for these two new reporting units upon the change in reportable segment. We recorded a non-cash goodwill impairment charge (pre-tax and after-tax) of $238 million as the estimated fair value of the Pharmacy Solutions reporting unit was determined to be lower than its reassigned carrying value.

During the first quarter of 2019, our Consumer Solutions and Pharmacy Solutions reporting units had a decline in the estimated future cash flows primarily triggered by additional U.K. government reimbursement reductions which were announced on June 29, 2018. Accordingly, we performed an interim goodwill impairment test for these reporting units. As a result, the estimated fair value of these reporting units was determined to be lower than the carrying value and we recorded non-cash goodwill impairment charges (pre-tax and after-tax) of $332 million.

The discount rate and terminal growth rate used for the Pharmacy Solutions reporting unit in the first quarter 2019 impairment test were 8.0% and 1.25%. The discount rate and terminal growth rate used for the Consumer Solutions reporting unit in the first quarter 2019 impairment test were 8.5% and 1.25%.

At June 30, 2018, our Consumer Solutions and Pharmacy Solutions reporting units’ remaining goodwill balances were $462 million and $751 million.

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FINANCIAL NOTES (CONTINUED)
(UNAUDITED)

The fair value of the reporting unit was determined using a combination of an income approach based on a discounted cash flow (“DCF”) model and a market approach based on guideline public companies’ revenues and earnings before interest, tax, depreciation and amortization multiples. Fair value estimates result from a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions that have been deemed reasonable by management as of the measurement date. Any changes in key assumptions, including failure to improve operations of certain retail pharmacy stores, additional government reimbursement reductions, deterioration in the financial market, an increase in interest rates or an increase in the cost of equity financing by market participants within the industry, or other unanticipated events and circumstances, may affect such estimates. Fair value assessments of the reporting unit are considered a Level 3 measurement due to the significance of unobservable inputs developed using company specific information.

Other risks, expenses and future developments that we were unable to anticipate as of the testing date may require us to further revise the future projected cash flows, which could adversely affect the fair value of our reporting units in future periods. As a result, we may be required to record additional impairment charges.

Refer to Financial Note 13, “Fair Value Measurements,” for more information on nonrecurring fair value measurements.

4. Business Combinations

2019 Acquisitions

Medical Specialties Distributors LLC (“MSD”)

On June 1, 2018, we completed our acquisition of MSD for the net purchase consideration of $784 million, which was funded from cash on hand. MSD is a leading national distributor of infusion and medical-surgical supplies as well as a provider of biomedical services to alternate site and home health providers. The financial results of MSD are included in our condensed consolidated statements of operations within our Medical-Surgical Solutions segment from the acquisition date.

The provisional fair value of assets acquired and liabilities assumed as of the acquisition date, excluding goodwill and intangibles, were $245 million and $172 million. Approximately $360 million of the preliminary purchase price allocation has been assigned to goodwill, which reflects the expected future benefits from certain synergies and intangible assets that do not qualify for separate recognition. The preliminary purchase price allocation includes acquired identifiable intangibles of $351 million primarily representing customer relationships with a weighted average life of 18 years. Due to the recent timing and complexity of the acquisitions, these amounts are provisional and subject to change as our fair value assessments are finalized.

The following table summarizes the preliminary recording of the fair values of the assets acquired and liabilities assumed for this acquisition as of the acquisition date.

(In millions)	Amounts Recognized as of Acquisition Date (Provisional)
Receivables	$ 120
Other current assets, net of cash and	74

cash equivalents acquired	
Goodwill	660
Intangible assets	351
Other long-term assets	51
Current liabilities	(76)
Other long-term liabilities	(96)
Net assets acquired, net of cash and cash equivalents	$ 784

Other

During the first quarter of 2019, we also completed a number of other acquisitions. Financial results for our business acquisitions have been included in our condensed consolidated financial statements since their respective acquisition dates. Purchase prices for our business acquisitions have been allocated based on estimated fair values at the date of acquisition.

2018 Acquisitions

RxCrossroads

On January 2, 2018, we completed our acquisition of RxCrossroads for the net purchase consideration of $720 million, which was funded from cash on hand. The financial results of RxCrossroads are included in the condensed consolidated statements of operations within our U.S. Pharmaceutical and Specialty Solutions segment from the acquisition date.

The provisional fair value of assets acquired and liabilities assumed as of the acquisition date, excluding goodwill and intangibles, were $128 million and $42 million. Approximately $372 million of the preliminary purchase price allocation has been assigned to goodwill, which reflects the expected future benefits from certain synergies and intangible assets that do not qualify for separate recognition. The preliminary purchase price allocation includes acquired identifiable intangibles of $262 million primarily representing customer relationships and trade names with a weighted average life of 14 years. Amounts of assets and liabilities recognized as of the acquisition date are provisional and subject to change within the measurement period as our fair value assessments are finalized.

CoverMyMeds LLC (“CMM”)

On April 3, 2017, we completed our acquisition of CMM for the net purchase consideration of $1.3 billion, which was funded from cash on hand. The fair value of assets acquired and liabilities assumed of CMM as of the acquisition date were finalized upon completion of the measurement period in April 2018. The financial results of CMM are included in our condensed consolidated statements of operations within Other from the acquisition date.

Pursuant to the agreement, McKesson may pay up to an additional $160 million of contingent consideration based on CMM’s financial performance for 2018 and 2019. As a result, we recorded a liability for this remaining contingent consideration at its estimated fair value of $113 million as of the acquisition date on our consolidated balance sheet. The contingent consideration was estimated using a Monte Carlo simulation, which utilized Level 3 inputs under the fair value measurement and disclosure guidance, including estimated financial forecasts. The contingent liability is re-measured at fair value at each reporting date until the liability is extinguished with changes in fair value being recorded in our condensed consolidated statements of operations. As of June 30, 2018 and March 31, 2018, the contingent consideration liability was $54 million and $124 million. The initial fair value of this contingent consideration was a non-cash investing activity. In May 2018, we made a cash payment of $68 million representing the contingent consideration for 2018.

Other

In the second quarter of 2018, we completed our acquisitions of intraFUSION, Inc. (“intraFUSION”), BDI Pharma, LLC (“BDI”) and Uniprix Group (“Uniprix”) for net cash consideration of $485 million, which was funded from cash on hand. The adjusted provisional fair value of assets acquired and liabilities assumed for these acquisitions as of the acquisition date, excluding goodwill and intangibles, were $292 million and $160 million. Approximately $246 million of the adjusted preliminary purchase price allocation has been assigned to goodwill, which reflects the expected future benefits of certain synergies and intangible assets that do not qualify for separate recognition. Included in the adjusted preliminary purchase price allocation for these acquisitions are acquired identifiable intangibles of $118 million primarily representing customer relationships. Amounts recognized as of the acquisition date are provisional and subject to change within the measurement period until our fair value assessments are finalized. The financial results of intraFUSION and BDI are included within our U.S. Pharmaceutical and Specialty Solutions segment since the acquisition dates. The financial results of Uniprix are included within Other since the acquisition date.

2017 Acquisitions

Rexall Health

In the third quarter of 2017, we completed our acquisition of Rexall Health which operated approximately 450 retail pharmacies in Canada, particularly in Ontario and Western Canada. The net cash purchase consideration of $2.9 billion Canadian dollars (or, approximately $2.1 billion) was funded from cash on hand. The measurement period to finalize the accounting for this acquisition ended in the third quarter of 2018. On May 23, 2018, as the result of resolving certain indemnity and other claims related to this acquisition, $125 million Canadian dollars (or, approximately $97 million) was released to us from an escrow account. The receipt of this cash was recorded as a settlement gain within operating expenses in our condensed consolidated financial statements during the first quarter of 2019.

Goodwill recognized for our business acquisitions is generally not expected to be deductible for tax purposes. However, if we acquire the assets of a company, the goodwill may be deductible for tax purposes.

5. Restructuring and Asset Impairment Charges

We recorded pre-tax restructuring and asset impairment charges of $96 million ($85 million after-tax) during the first quarter of 2019, which were recorded under the caption, “Restructuring and asset impairment charges” in the accompanying condensed statement of operations. There were no material restructuring and asset impairment charges recorded during the first quarter of 2018.

Fiscal 2019 Strategic Growth Initiative

On April 25, 2018, the Company announced a multi-year strategic growth initiative. As part of the preliminary phase of this initiative, we committed to a restructuring plan to optimize our operating model and cost structure which will be substantially implemented by the end of 2019. As a result, we recorded pre-tax charges of $58 million ($55 million after-tax) primarily representing severance, exit-related costs and asset impairment charges during the first quarter of 2019. We expect to record total after-tax charges of approximately $150 million to $210 million during 2019. Estimated remaining restructuring charges primarily consist of exit-related costs. The reserve balance of $37 million is recorded in other accrued liabilities in our condensed consolidated balance sheets as of June 30, 2018.

Restructuring charges for our strategic growth initiative consisted of the following:

(In millions)	U.S. Pharmaceutical and Specialty Solutions	Medical-Surgical Solutions	Other	Total
Severance and employee-related costs, net	$ 3	$ 10	$ 1	$ 14
Exit-related costs [1]	1	2	21	24
Asset impairments and accelerated depreciation	4	—	16	20
Total	$ 8	$ 12	$ 38	$ 58

(1) Exit-related costs primarily include lease exit costs associated with closures of retail pharmacy stores within our Canadian business.

The following table summarizes the activity related to the restructuring liabilities associated with the strategic growth initiative for the first quarter of 2019:

(In millions)	U.S. Pharmaceutical and Specialty Solutions	Medical-Surgical Solutions	Other	Total
Balance, March 31, 2018	$ —	$ —	$ —	$ —
Net restructuring charges recognized	8	12	38	58
Non-cash charges	(4)	—	(16)	(20)
Cash payments	(1)	—	—	(1)
Balance, June 30, 2018	$ 3	$ 12	$ 22	$ 37

Other

During the first quarter of 2019, we performed an interim impairment test of long-lived assets primarily for our U.K. retail business due to the previously discussed decline in the estimated future cash flows driven by additional U.K. government reimbursement reductions announced on June 29, 2018. As a result, we recognized a non-cash pre-tax charge of $20 million ($16 million after-tax) to impair the carrying value of certain intangible assets (primarily pharmacy licenses). We utilized a combination of an income approach and a market approach for estimating the fair value of intangible assets. The fair value of the intangible assets is considered a Level 3 fair value measurement due to the significance of unobservable inputs developed using company specific information.

During the first quarter of 2019, we also recorded a pre-tax charge of $11 million ($8 million after-tax) related to other restructuring activities within Corporate.

Fiscal 2018 McKesson Europe Plan

On September 29, 2017, we committed to a restructuring plan which primarily consists of the closures of under-performing retail stores in the U.K. and a reduction in workforce. The plan is expected to be substantially implemented prior to the first half of 2019. As part of this plan, we recorded pre-tax restructuring charges of $7 million ($6 million after-tax) in operating expenses in the first quarter of 2019 within the European Pharmaceutical Solutions segment primarily representing employee severance and lease exit costs. We made $13 million of cash payments, primarily related to employee severance in the first quarter of 2019. The reserve balances as of June 30, 2018 and March 31, 2018 were $28 million and $42 million, recorded in other accrued liabilities in our condensed consolidated balance sheets. We expect to record total pre-tax restructuring charges of approximately $90 million to $130 million for our European Pharmaceutical Solutions segment, of which $81 million of pre-tax charges were recorded to date. Estimated remaining restructuring charges primarily consist of lease termination and other exit costs.

Fiscal 2016 Cost Alignment Plan

On March 14, 2016, we committed to a restructuring plan to lower our operating costs (the “Cost Alignment Plan”). The Cost Alignment Plan primarily consists of a reduction in workforce, and business process initiatives that will be substantially implemented prior to the end of 2019. Business process initiatives primarily include plans to reduce operating costs of our distribution and pharmacy operations, administrative support functions, and technology platforms, as well as the disposal and abandonment of certain non-core businesses. As a result of the Cost Alignment Plan, we expected to record total pre-tax charges of approximately $250 million to $270 million, of which $256 million of pre-tax charges were recorded through the first quarter of 2019. The remaining charges under this program primarily consist of exit-related costs related to our European Pharmaceutical Solutions segment.

There were no material restructuring charges recorded during the first quarters of 2019 and 2018. In the first quarter of 2019 and 2018, we made $6 million and $14 million of cash payments, primarily related to severance. The reserve balances as of June 30, 2018 and March 31, 2018 were $28 million and $39 million, recorded in other accrued liabilities, and $28 million and $30 million recorded in other noncurrent liabilities in our condensed consolidated balance sheets.

6. Income Taxes

During the first quarters of 2019 and 2018, income tax expense related to continuing operations was $87 million and $95 million. During the first quarter of 2019, no tax benefit was recognized for the pre-tax charge of $570 million to impair the carrying value of goodwill as described in our Financial Note 3, "Goodwill Impairment Charges," given that this charge is not deductible for income tax purposes. Fluctuations in our reported income tax rates are primarily due to the impact of nondeductible impairment charges as well as changes within our business mix of income and discrete items recognized in the quarter.

On December 22, 2017, the U.S. government enacted comprehensive new tax legislation under the 2017 Tax Act. The SEC Staff issued guidance on income tax accounting for the 2017 Tax Act on December 22, 2017, which allows companies to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. During 2018, in accordance with this guidance, we recognized a provisional tax benefit of $1,324 million due to the re-measurement of certain deferred taxes to the lower U.S. federal tax rate and a provisional tax expense of $457 million for the one-time tax imposed on certain accumulated earnings and profits ("E&P") of our foreign subsidiaries. During the first quarter of 2019, we have not recognized any incremental adjustments to our provisional amounts. Our accounting for the impact of the 2017 Tax Act is incomplete because we have not yet obtained, prepared, or analyzed all the information needed to finalize the accounting requirement. We will continue to assess the income tax effects of the 2017 Tax Act during the measurement period and record any necessary adjustments in the period such adjustments are identified.

The 2017 Tax Act made broad and complex changes to the U.S. tax code that affect our fiscal year 2019 in multiple ways, including but not limited to reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; creating the base erosion anti-abuse tax; creating a new provision designed to tax global intangible low-tax income; and generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries. We have estimated the impact of these changes in our income tax provision for the first quarter of 2019.

As of June 30, 2018, we had $1,178 million of unrecognized tax benefits, of which $1,018 million would reduce income tax expense and the effective tax rate, if recognized. During the first quarter of 2019, we recognized a $20 million discrete tax benefit for the reduction in an unrecognized tax benefit due to applicable administrative guidance issued by the tax authorities. During the next twelve months, we do not anticipate a significant increase or decrease to our unrecognized tax benefits based on the information currently available. However, this amount may change as we continue to have ongoing negotiations with various taxing authorities throughout the year and complete our accounting related to the impact of the 2017 Tax Act.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. We are subject to audit by the IRS for fiscal years 2013 through the current fiscal year. We are generally subject to audit by taxing authorities in various U.S. states and in foreign jurisdictions for fiscal years 2010 through the current fiscal year.

7. Redeemable Noncontrolling Interests and Noncontrolling Interests

Redeemable Noncontrolling Interests

Our redeemable noncontrolling interests relate to our consolidated subsidiary, McKesson Europe AG ("McKesson Europe"). Under the December 2014 domination and profit and loss transfer agreement (the "Domination Agreement"), the noncontrolling shareholders of McKesson Europe are entitled to receive an annual recurring compensation amount of €0.83 per share and a one-time guaranteed dividend for calendar year 2014 of €0.83 per share reduced accordingly for any dividend paid by McKesson Europe in relation to that year. As a result, we recorded a total attribution of net income to the noncontrolling shareholders of McKesson Europe of $12 million and $9 million during the first quarters of 2019 and 2018. All amounts were recorded in our condensed consolidated statements of operations within the caption, "Net Income Attributable to Noncontrolling Interests," and the corresponding liability balance was recorded

within other accrued liabilities on our condensed consolidated balance sheets.
Under the Domination Agreement, the noncontrolling shareholders of McKesson Europe have a right to put ("Put Right") their noncontrolling shares at €22.99 per share increased annually for interest in the amount of 5 percentage points above a base rate published by the German Bundesbank semi-annually, less any compensation amount or guaranteed dividend already paid by McKesson with respect to the relevant time period ("Put Amount"). The exercise of the Put Right will reduce the balance of redeemable noncontrolling interests. During the first quarter of 2019, there were no material exercises of the Put Right. During the first quarter of 2018, we paid $50 million to purchase 1.9 million shares of McKesson Europe through the exercises of the Put

Right by the noncontrolling shareholders, which decreased the carrying value of redeemable noncontrolling interests by $53 million. The balance of redeemable noncontrolling interests is reported as the greater of its carrying value or its maximum redemption value at each reporting date. The redemption value is the Put Amount adjusted each period for exchange rate fluctuations. At June 30, 2018 and March 31, 2018, the carrying value of redeemable noncontrolling interests of $1.42 billion and $1.46 billion exceeded the maximum redemption value of $1.28 billion and $1.35 billion. At June 30, 2018 and March 31, 2018, we owned approximately 77% of McKesson Europe's outstanding common shares.

Appraisal Proceedings

Subsequent to the Domination Agreement's registration, certain noncontrolling shareholders of McKesson Europe initiated appraisal proceedings ("Appraisal Proceedings") with the Stuttgart Regional Court to challenge the adequacy of the Put Amount, annual recurring compensation amount, and/or the guaranteed dividend. During the pendency of the Appraisal proceedings, such amount will be paid as specified currently in the Domination Agreement. If any such Appraisal Proceedings result in an adjustment, we would be required to make certain additional payments for any shortfall to all McKesson Europe noncontrolling shareholders who previously received the Put Amount, compensation amount or guaranteed dividend.

Noncontrolling Interests

Noncontrolling interests represent third-party equity interests in our consolidated entities, primarily related to ClarusONE and Vantage, which were $240 million and $253 million at June 30, 2018 and March 31, 2018 on our condensed consolidated balance sheets. During the first quarters of 2019 and 2018, we allocated a total of $46 million and $47 million of net income to noncontrolling interests.

Changes in redeemable noncontrolling interests and noncontrolling interests for the first quarter of 2019 were as follows:

(In millions)	Noncontrolling Interests	Redeemable Noncontrolling Interests
Balance, March 31, 2018	$ 253	$ 1,459
Net income attributable to noncontrolling interests	46	12
Other comprehensive income	—	(37)
Reclassification of recurring compensation to other accrued liabilities	—	(12)
Payments to noncontrolling interests	(64)	—
Exercises of Put Right	—	—
Other	5	—
Balance, June 30, 2018	$ 240	$ 1,422

Changes in redeemable noncontrolling interests and noncontrolling interests for the first quarter of 2018 were as follows:

(In millions)	Noncontrolling Interests	Redeemable Noncontrolling Interests
Balance, March 31, 2017	$ 178	$ 1,327
Net income attributable to noncontrolling interests	47	9
Other comprehensive loss	—	116
Reclassification of recurring compensation to other accrued liabilities	—	(9)
Payments of noncontrolling interests	(18)	—
Exercises of Put Right	—	(53)

Other	3	—
Balance, June 30, 2017	$ 210	$ 1,390

There were no material changes in our ownership interests related to redeemable noncontrolling interests during the first quarter of 2019. The effect of changes in our ownership interests related to redeemable noncontrolling interests on our equity of $3 million resulting from exercises of the Put Right was recorded as a net increase to McKesson's stockholders' paid-in capital during the first quarter of 2018. Net income attributable to McKesson and transfers from redeemable noncontrolling interests were $312 million during the first quarter of 2018.

8. Earnings Per Common Share

Basic earnings or loss per common share are computed by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common share are computed similar to basic earnings per common share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Diluted loss per share for the first quarter of 2019 was calculated by excluding potentially dilutive securities from the denominator of the share computation due to their anti-dilutive effects.

The computations for basic and diluted earnings or loss per common share are as follows:

	Quarter Ended June 30,	
(In millions, except per share amounts)	2018	2017
Income (loss) from continuing operations	$(81)	$363
Net income attributable to noncontrolling interests	(58)	(56)
Income (loss) from continuing operations attributable to McKesson	(139)	307
Income from discontinued operations, net of tax	1	2
Net income (loss) attributable to McKesson	$(138)	$309
Weighted average common shares outstanding:		
Basic	202	211
Effect of dilutive securities:		
Options to purchase common stock	—	1
Restricted stock units	—	1
Diluted	202	213
Earnings (loss) per common share attributable to McKesson: [1]		
Diluted		
Continuing operations	$(0.69)	$1.44
Discontinued operations	0.01	0.01
Total	$(0.68)	$1.45
Basic		
Continuing operations	$(0.69)	$1.46
Discontinued operations	0.01	—
Total	$(0.68)	$1.46

(1) Certain computations may reflect rounding adjustments.

Potentially dilutive securities include outstanding stock options, restricted stock units, and performance-based and other restricted stock units. Approximately 2 million potentially dilutive securities were excluded from the computations of diluted net earnings per common share for the quarter ended June 30, 2017, as they were anti-dilutive.

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FINANCIAL NOTES (CONTINUED)
(UNAUDITED)

9. Goodwill and Intangible Assets, Net

Changes in the carrying amount of goodwill were as follows:

(In millions)	U.S. Pharmaceutical and Specialty Solutions	European Pharmaceutical Solutions	Medical-Surgical Solutions	Other	Total
Balance, March 31, 2018	$ 4,110	$ 1,850	$ 2,070	$ 2,894	$ 10,924
Goodwill acquired	—	31	360	—	391
Goodwill impairment charges	—	(570)	—	—	(570)
Acquisition accounting, transfers and other adjustments	4	—	—	6	10
Foreign currency translation adjustments, net	(36)	(98)	—	(36)	(170)
Balance, June 30, 2018	$ 4,078	$ 1,213	$ 2,430	$ 2,864	$ 10,585

As of June 30, 2018, accumulated goodwill impairment losses were $1,793 million and $448 million in our European Pharmaceutical Solutions segment and Other. As of March 31, 2018, accumulated goodwill impairment losses were $1,299 million and $456 million in our European Pharmaceutical segment and Other. Refer to Financial Note 3, "Goodwill Impairment Charges," for more information on goodwill impairment charges recorded in the first quarter of 2019.

Information regarding intangible assets is as follows:

	June 30, 2018				March 31, 2018		
(Dollars in millions)	Weighted Average Remaining Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	13	$ 4,038	$ (1,724)	$ 2,314	$ 3,619	$ (1,550)	$ 2,069
Service agreements	12	1,020	(392)	628	1,037	(386)	651
Pharmacy licenses	25	766	(336)	430	684	(196)	488
Trademarks and trade names	14	938	(207)	731	932	(187)	745
Technology	4	146	(87)	59	147	(84)	63
Other	5	285	(189)	96	262	(176)	86
Total		$ 7,193	$ (2,935)	$ 4,258	$ 6,681	$ (2,579)	$ 4,102

Amortization expense of intangible assets was $122 million and $121 million for the quarters ended June 30, 2018 and 2017. Estimated annual amortization expense of these assets is as follows: $344 million,