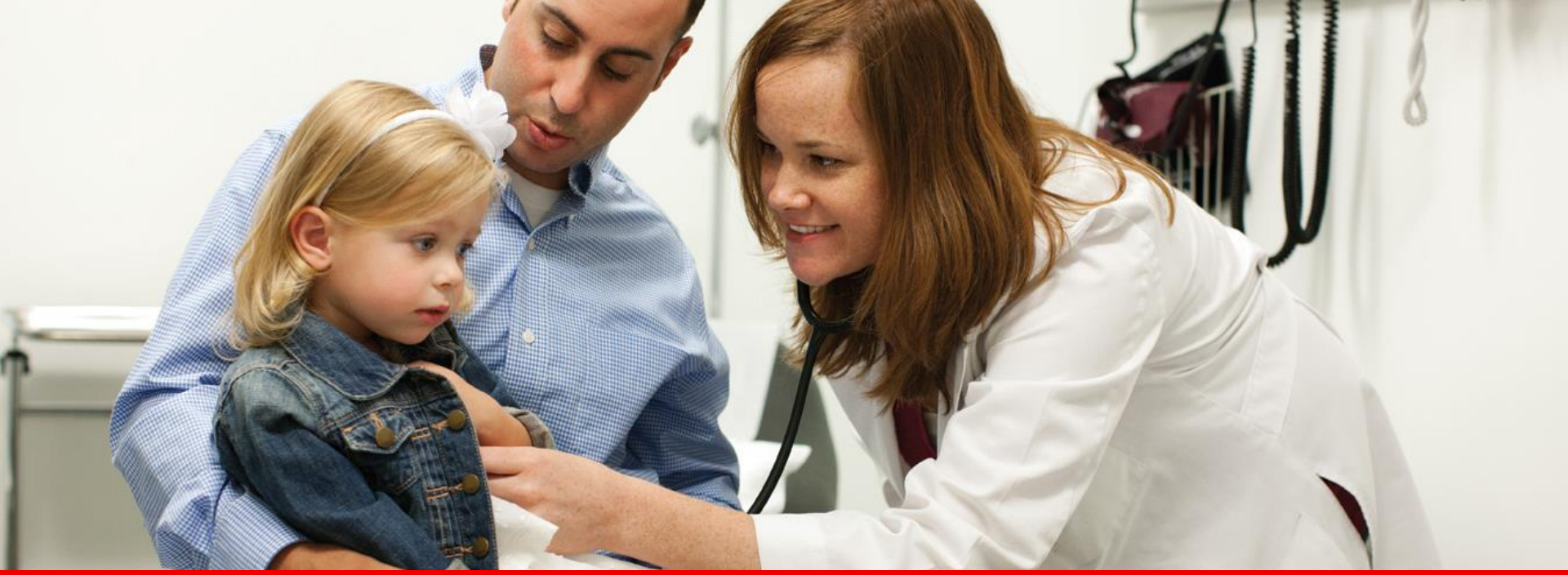


Q1 FY2016 earnings investor/analyst call

November 2, 2015

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Forward-looking statements and GAAP reconciliation

Cautions Concerning Forward-Looking Statements

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Financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q1 FY16	Q1 FY15	Q1 FY16	Q1 FY15
Revenue	$28,055	$24,070		
% change	*17%*	*(2)%*		
Operating earnings	$620	$466	$737	$566
% change	*33%*	*(1)%*	*30%*	*6%*
Ratio to revenue	*2.21%*	*1.94%*	*2.63%*	*2.35%*
Net earnings attributable to Cardinal Health, Inc.	$383	$266	$458	$340
% change	*44%*	*(22)%*	*35%*	*(10)%*
Ratio to revenue	*1.37%*	*1.10%*	*1.63%*	*1.41%*
Diluted EPS attributable to Cardinal Health, Inc.	$1.15	$0.78	$1.38	$1.00
% change	*47%*	*(21)%*	*38%*	*(9)%*

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Pharmaceutical segment business analysis

	Q1 FY16 ($M)	Q1 FY15 ($M)	% Change
Revenue	$25,140	$21,209	19%
Segment profit	$657	$451	46%
Segment profit margin	2.62%	2.13%	

Highlights:

- Revenue for the Pharmaceutical segment increased 19 percent to $25.1 billion due to growth from existing and new customers and, to a lesser extent, contributions from acquisitions.
- Segment profit for the quarter increased 46 percent to $657 million due to strong performance under the company's generics program, net growth from existing and new customers, and contribution from acquisitions.

The sum of the components may not equal the total due to rounding

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Medical segment business analysis

	Q1 FY16 ($M)	Q1 FY15 ($M)	% Change
Revenue	$2,919	$2,852	2%
Segment profit	$101	$113	(11)%
Segment profit margin	3.45%	3.97%	

Highlights:

- Revenue for the Medical segment increased 2 percent to $2.9 billion due to Cardinal Health-branded products and the Cardinal Health at Home platform.
- Segment profit declined 11 percent to $101 million primarily due to the company's Canada business, including some unfavorable impact of foreign currency.

The sum of the components may not equal the total due to rounding

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GAAP to non-GAAP reconciliation

	Q1 FY 2016			Q1 FY 2015		
	Operating Earnings ($M)	Net Earnings attributable to Cardinal Health, Inc. ($M)	Diluted EPS attributable to Cardinal Health, Inc.	Operating Earnings ($M)	Net Earnings attributable to Cardinal Health, Inc. ($M)	Diluted EPS attributable to Cardinal Health, Inc.
GAAP	**$620**	**$383**	**$1.15**	**$466**	**$266**	**$0.78**
Restructuring and employee severance	12	7	0.02	19	12	0.04
Amortization and other acquisition-related costs[1]	105	68	0.21	53	34	0.10
Litigation (recoveries)/charges, net	-	-	-	28	28	0.08
Non-GAAP	**$737**	**$458**	**$1.38**	**$566**	**$340**	**$1.00**

[1] Amortization of acquisition-related intangible assets included in Amortization and other acquisition-related costs are as follows:

Amortization of acquisition-related intangible assets	$67	$42	$0.13	$44	$28	$0.08

The sum of the components may not equal the total due to rounding

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FY2016 outlook

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CAH FY2016 financial expectations

	FY2016 outlook	FY2015 actual
Revenue	Mid-teens percentage growth vs. PY	$103B
Non-GAAP diluted EPS	$5.15 to $5.35	$4.38[1]

[1]Non-GAAP diluted EPS from continuing operations

Red font indicates a change since previous guidance.

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FY16 corporate assumptions

	FY16 outlook	FY15 actual
Non-GAAP effective tax rate	35.5% - 37.0%[1]	37.2%
Diluted weighted average shares outstanding	332M – 334M	335M
Interest and other, net	$195M - $210M	$134M
Capital expenditures	$510M - $540M	$300M
Acquisition-related intangible amortization	~$277M or ~$0.52[2]	$189M or $0.36

[1]May fluctuate quarterly due to unique items affecting periods.

[2]Includes only acquisitions closed as of September 30, 2015 (does not include Cordis).

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Q1 FY2016 trailing five quarters and GAAP to Non-GAAP reconciliation statements

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Segment analysis

Pharmaceutical segment

	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16
Revenue ($M)	21,209	22,627	22,605	24,676	25,140
Segment Profit ($M)	451	542	567	535	657

Medical segment

	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16
Revenue ($M)	2,852	2,914	2,774	2,855	2,919
Segment Profit ($M)	113	115	102	103	101

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Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation

(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings attributable to Cardinal Health, Inc.	Net Earnings attributable to Cardinal Health, Inc. Growth Rate	Diluted EPS attributable to Cardinal Health, Inc.	Diluted EPS attributable to Cardinal Health, Inc. Growth Rate
	First Quarter 2016							
GAAP	**$ 620**	**33 %**	**$ 568**	**$ 184**	**$ 383**	**44 %**	**$ 1.15**	**47 %**
Restructuring and employee severance	**12**		**12**	**5**	**7**		**0.02**	
Amortization and other acquisition-related costs	**105**		**105**	**37**	**68**		**0.21**	
Impairments and (gain)/loss on disposal of assets	**-**		**-**	**-**	**-**		**-**	
Litigation (recoveries)/charges, net	**-**		**-**	**-**	**-**		**-**	
LIFO charges/(credits)	**-**		**-**	**-**	**-**		**-**	
Loss on extinguishment of debt	**-**		**-**	**-**	**-**		**-**	
Non-GAAP	**$ 737**	**30 %**	**$ 685**	**$ 226**	**$ 458**	**35 %**	**$ 1.38**	**38 %**
	First Quarter 2015							
GAAP	$ 466	(1)%	$ 435	$ 169	$ 266	(22)%	$ 0.78	(21)%
Restructuring and employee severance	19		19	7	12		0.04	
Amortization and other acquisition-related costs	53		53	19	34		0.10	
Impairments and (gain)/loss on disposal of assets	-		-	-	-		-	
Litigation (recoveries)/charges, net	28		28	-	28		0.08	
LIFO charges/(credits)	**-**		-	-	-		-	
Loss on extinguishment of debt	-		-	-	-		-	
Non-GAAP	$ 566	6 %	$ 535	$ 195	$ 340	(10)%	$ 1.00	(9)%

The sum of the components may not equal the total due to rounding.

We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation

	Fiscal Year 2015							
(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes and Discontinued Operations	Provision for Income Taxes	Earnings from Continuing Operations	Earnings from Continuing Operations Growth Rate	Diluted EPS from Continuing Operations	Diluted EPS from Continuing Operations Growth Rate
GAAP	**$ 2,161**	**15 %**	**$ 1,967**	**$ 755**	**$ 1,212**	**4 %**	**$ 3.61**	**7 %**
Restructuring and employee severance	**44**		**44**	**15**	**29**		**0.09**	
Amortization and other acquisition-related costs	**281**		**281**	**100**	**181**		**0.54**	
Impairments and (gain)/loss on disposal of assets	**(19)**		**(19)**	**(10)**	**(9)**		**(0.03)**	
Litigation (recoveries)/charges, net	**5**		**5**	**(14)**	**19**		**0.06**	
Loss on extinguishment of debt	**-**		**60**	**23**	**37**		**0.11**	
Non-GAAP	**$ 2,472**	**16 %**	**$ 2,339**	**$ 870**	**$ 1,469**	**11 %**	**$ 4.38**	**14 %**

The sum of the components may not equal the total due to rounding.

We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Cardinal Health, Inc. and Subsidiaries
Total Company Business Analysis

(in millions)	First Quarter		Non-GAAP First Quarter	
	2016	2015	**2016**	2015
Revenue				
Amount	**$ 28,055**	$ 24,070		
Growth rate	**17 %**	(2)%		
Operating earnings				
Amount	**$ 620**	$ 466	**$ 737**	$ 566
Growth rate	**33 %**	(1)%	**30 %**	6 %
Net earnings attributable to Cardinal Health, Inc.				
Amount	**$ 383**	$ 266	**$ 458**	$ 340
Growth rate	**44 %**	(22)%	**35 %**	(10)%
Return on equity	**24.0 %**	16.8 %	**28.7 %**	21.5 %
Effective tax rate	**32.3 %**	38.9 %	**32.9 %**	36.5 %
Debt to total capital	**46 %**	39 %		
Net debt to capital			**28 %**	20 %

Refer to the GAAP/Non-GAAP reconciliation for definitions and calculations supporting the Non-GAAP balances.

Cardinal Health, Inc. and Subsidiaries
Segment Business Analysis

(in millions)	First Quarter 2016	2015
Pharmaceutical		
Revenue		
Amount	**$ 25,140**	$ 21,209
Growth rate	**19 %**	(3)%
Segment profit		
Amount	**$ 657**	$ 451
Growth rate	**46 %**	4 %
Segment profit margin	**2.62 %**	2.13 %

(in millions)	First Quarter 2016	2015
Medical		
Revenue		
Amount	**$ 2,919**	$ 2,852
Growth rate	**2 %**	5 %
Segment profit		
Amount	**$ 101**	$ 113
Growth rate	**(11)%**	6 %
Segment profit margin	**3.45 %**	3.97 %

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the three months ended September 30, 2015 was $28,055 million, which included total segment revenue of $28,059 million and Corporate revenue of $(4) million. Total consolidated revenue for the three months ended September 30, 2014 was $24,070 million, which included total segment revenue of $24,061 million and Corporate revenue of $9 million. Corporate revenue consists primarily of elimination of inter-segment revenue and other revenue not allocated to the segments.

Total consolidated operating earnings for the three months ended September 30, 2015 were $620 million, which included total segment profit of $758 million and Corporate costs of $(138) million. Total consolidated operating earnings for the three months ended September 30, 2014 were $466 million, which included total segment profit of $564 million and Corporate costs of $(98) million. Corporate includes, among other things, restructuring and employee severance, amortization and other acquisition-related costs, impairments and (gain)/loss on disposal of assets, litigation (recoveries)/charges, net, LIFO charges/(credits), and certain investment spending that are not allocated to the segments.

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation

	First Quarter	
(in millions)	**2016**	2015
GAAP return on equity	**24.0 %**	16.8 %
Non-GAAP return on equity		
Net earnings attributable to Cardinal Health, Inc.	**$ 383**	$ 266
Restructuring and employee severance, net of tax	**7**	12
Amortization and other acquisition-related costs, net of tax	**68**	34
Litigation (recoveries)/charges, net, net of tax	**-**	28
Adjusted net earnings attributable to Cardinal Health, Inc.	**$ 458**	$ 340
Annualized	**$ 1,832**	$ 1,360

	First Quarter 2016	**Fourth Quarter 2015**	First Quarter 2015	Fourth Quarter 2014
Total Cardinal Health, Inc. shareholders' equity	**$ 6,505**	**$ 6,256**	$ 6,256	$ 6,401
Divided by average Cardinal Health, Inc. shareholders' equity	**$ 6,380**		$ 6,328	
Non-GAAP return on equity	**28.7 %**		21.5 %	

We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation

(in millions)	First Quarter 2016	2015
GAAP effective tax rate	**32.3 %**	38.9 %
Non-GAAP effective tax rate		
Earnings before income taxes	**$ 568**	$ 435
Restructuring and employee severance	**12**	19
Amortization and other acquisition-related costs	**105**	53
Litigation (recoveries)/charges, net	**-**	28
Adjusted earnings before income taxes	**$ 685**	$ 535
Provision for income taxes	**$ 184**	$ 169
Restructuring and employee severance tax benefit	**5**	7
Amortization and other acquisition-related costs tax benefit	**37**	19
Litigation (recoveries)/charges, net tax benefit	**-**	-
Adjusted provision for income taxes	**$ 226**	$ 195
Non-GAAP effective tax rate	**32.9 %**	36.5 %

	First Quarter 2016	2015
Debt to total capital	**46 %**	39 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 319**	$ 843
Long-term obligations, less current portion	**5,231**	3,164
Debt	**$ 5,550**	$ 4,007
Cash and equivalents	**(2,974)**	(2,469)
Net debt	**$ 2,576**	$ 1,538
Total Cardinal Health, Inc. shareholders' equity	**6,505**	6,256
Capital	**$ 9,081**	$ 7,794
Net debt to capital	**28 %**	20 %

The sum of the components may not equal the total due to rounding.

We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation

(in millions)		Fiscal Year 2015
GAAP effective tax rate from continuing operations		**38.4 %**
Non-GAAP effective tax rate from continuing operations		
Earnings before income taxes and discontinued operations	**$**	**1,967**
Restructuring and employee severance		**44**
Amortization and other acquisition-related costs		**281**
Impairments and (gain)/loss on disposal of assets		**(19)**
Litigation (recoveries)/charges, net		**5**
Loss on extinguishment of debt		**60**
Adjusted earnings before income taxes and discontinued operations	**$**	**2,339**
Provision for income taxes	**$**	**755**
Restructuring and employee severance tax benefit		**15**
Amortization and other acquisition-related costs tax benefit		**100**
Impairments and (gain)/loss on disposal of assets tax benefit/(expense)		**(10)**
Litigation (recoveries)/charges, net tax expense		**(14)**
Loss on extinguishment of debt tax benefit		**23**
Adjusted provision for income taxes	**$**	**870**
Non-GAAP effective tax rate from continuing operations		**37.2 %**

The sum of the components may not equal the total due to rounding.

We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Forward-Looking Non-GAAP Financial Measures

We present non-GAAP net earnings attributable to Cardinal Health, Inc. and non-GAAP effective tax rate (and presentations derived from these financial measures, including per share calculations) on a forward-looking basis. The most directly comparable forward-looking GAAP measures are net earnings attributable to Cardinal Health, Inc. and effective tax rate. We are unable to provide a quantitative reconciliation of these forward-looking non-GAAP measures to the most directly comparable forward-looking GAAP measures because we cannot reliably forecast restructuring and employee severance, amortization and other acquisition-related costs, impairments and (gain)/loss on disposal of assets, litigation (recoveries)/charges, net, LIFO charges/(credits), and loss on extinguishment of debt, which are difficult to predict and estimate and are primarily dependent on future events. Please note that the unavailable reconciling items could significantly impact our future financial results.

Cardinal Health, Inc. and Subsidiaries

Definitions

Debt: long-term obligations plus short-term borrowings.

Debt to Total Capital: debt divided by (debt plus total Cardinal Health, Inc. shareholders' equity).

Interest and Other, net: other (income)/expense, net plus interest expense, net.

Net Debt: a Non-GAAP measure defined as debt minus (cash and equivalents).

Net Debt to Capital: a Non-GAAP measure defined as net debt divided by (net debt plus total Cardinal Health, Inc. shareholders' equity).

Non-GAAP Diluted EPS attributable to Cardinal Health, Inc. or "Non-GAAP Diluted EPS": non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

Non-GAAP Diluted EPS from continuing operations: non-GAAP earnings from continuing operations divided by diluted weighted-average shares outstanding.

Non-GAAP Effective Tax Rate: (provision for income taxes adjusted for (1) restructuring and employee severance[1], (2) amortization and other acquisition-related costs[2], (3) impairments and (gain)/loss on disposal of assets[3], (4) litigation (recoveries)/charges, net[4], (5) LIFO charges/(credits)[5], and (6) loss on extinguishment of debt[6]) divided by (earnings before income taxes adjusted for the same six items).

Non-GAAP Net Earnings attributable to Cardinal Health, Inc. or "Non-GAAP Net Earnings": net earnings attributable to Cardinal Health, Inc. excluding (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and (gain)/loss on disposal of assets, (4) litigation (recoveries)/charges, net, (5) LIFO charges/(credits), and (6) loss on extinguishment of debt, each net of tax.

Non-GAAP Earnings from Continuing Operations: earnings from continuing operations excluding (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and (gain)/loss on disposal of assets, (4) litigation (recoveries)/charges, net, (5) LIFO charges/(credits), and (6) loss on extinguishment of debt, each net of tax.

Non-GAAP Operating Earnings: operating earnings excluding (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and (gain)/loss on disposal of assets, (4) litigation (recoveries)/charges, net and (5) LIFO charges/(credits).

Non-GAAP Return on Equity: (annualized current period net earnings attributable to Cardinal Health, Inc. excluding (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and (gain)/loss on disposal of assets, (4) litigation (recoveries)/charges, net, (5) LIFO charges/(credits), and (6) loss on extinguishment of debt, each net of tax) divided by average Cardinal Health, Inc. shareholders' equity.

Return on Equity: annualized current period net earnings attributable to Cardinal Health, Inc. divided by average Cardinal Health, Inc. shareholders' equity.

Segment Profit: segment revenue minus (segment cost of products sold and segment distribution, selling, general, and administrative expenses).

Segment Profit Margin: segment profit divided by segment revenue.

[1] Programs by which the Company fundamentally changes its operations such as closing and consolidating facilities, moving manufacturing of a product to another location, production or business process sourcing, employee severance (including rationalizing headcount or other significant changes in personnel), and realigning operations (including realignment of the management structure of a business unit in response to changing market conditions).

[2] Costs that consist primarily of amortization of acquisition-related intangible assets, transaction costs, integration costs, and changes in the fair value of contingent consideration obligations.

[3] Asset impairments and (gains)/losses from the disposal of assets not eligible to be classified as discontinued operations are classified within impairments and (gain)/loss on disposal of assets within the condensed consolidated statements of earnings.

[4] Loss contingencies related to litigation and regulatory matters and income from favorable resolution of legal matters.

[5] The inventories of the Company's core pharmaceutical distribution facilities in the Pharmaceutical segment are valued at the lower of cost, using the LIFO method, or market. These charges or credits are included in cost of products sold, and represent changes in the Company's LIFO inventory reserve.

[6] Charges related to the make-whole premium on the redemption of notes.