



Q4 FY18

CARDINAL HEALTH, INC.
EARNINGS CALL

AUGUST 6, 2018

Forward-looking statements and GAAP reconciliation

Cautions Concerning Forward-Looking Statements

This presentation contains forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. These statements may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. These risks and uncertainties include competitive pressures in Cardinal Health's various lines of business; the amount or rate of generic deflation and our ability to offset generic deflation and maintain other financial and strategic benefits through our generic sourcing venture with CVS Health; our ability to manage uncertainties associated with the pricing of branded pharmaceuticals, including decreased branded inflation and possible branded price reductions; risks associated with our ability to stabilize the performance of our Cordis business; risks associated with the acquisition of the Patient Recovery business, including the ability to successfully integrate the acquired businesses and the ability to achieve the expected synergies and accretion in earnings; the risk of non-renewal under our contracts with CVS Health or one or more other key customer or supplier arrangements or changes to the pricing or other terms of or level of purchases under those arrangements; uncertainties due to government health care reform including federal health care reform legislation or administrative action; uncertainties with respect to the recently enacted Tax Cuts and Jobs Act; changes in the distribution patterns or reimbursement rates for health care products and services; risks associated with the distribution of opioids, including ongoing investigations and lawsuits by certain governmental and regulatory authorities, the potential financial impact of enacted and possible taxes or other assessments on the sale of opioids, and potential reputational or operational harm; and changes in foreign currency rates and the cost of commodities such as oil-based resins, cotton, latex and diesel fuel. Cardinal Health is subject to additional risks and uncertainties described in Cardinal Health's Form 10-K, Form 10-Q and Form 8-K reports and exhibits to those reports. This presentation reflects management's views as of Aug. 6, 2018. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement. In addition, this presentation contains non-GAAP financial measures. Cardinal Health provides definitions and reconciliations of non-GAAP financial measures and their most directly comparable GAAP financial measures in the Financial Appendix at the end of this presentation and at ir.cardinalhealth.com.

Q4 results

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Q4 FY18 financial summary

	GAAP Basis (\$M) Q4 FY18	Non-GAAP Basis (\$M) Q4 FY18
Revenue % change	\$35,349 7%	N/A
Gross Margin % change	\$1,735 7%	N/A
SG&A % change	\$1,270 29%	N/A
Operating Earnings/(Loss) % change	\$(1,080) N.M.	\$465 (27)%
Interest & Other¹ % change	\$107 65%	N/A
Net Earnings/(Loss)² % change	\$(1,166) N.M.	\$315 (24)%
Diluted EPS² % change	\$(3.76)³ N.M.	\$1.01 (23)%

¹ The sum of other (income)/expense, net and interest expense, net

² Attributable to Cardinal Health, Inc.

³ Due to the net loss during the fourth quarter of fiscal 2018, potentially dilutive common shares have not been included in the denominator of the dilutive per share computation due to their antidilutive effect.

Please see appendix for GAAP to Non-GAAP reconciliations.

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Q4 FY18 pharmaceutical segment results

	Q4 FY18 (\$M)	Q4 FY17 (\$M)	YoY change
Revenue	\$31,455	\$29,552	6%
Segment profit	\$416	\$505	(18)%
Segment profit margin	1.32%	1.71%	-39 bps

Drivers:

Revenue

- + Pharmaceutical and Specialty distribution customers
- Divestiture of the company's China distribution business
- Previously announced expiration of a large, mail-order customer contract

Segment profit

- Impact from the company's generic program performance

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

Q4 FY18 medical segment results

	Q4 FY18 (\$M)	Q4 FY17 (\$M)	YoY change
Revenue	\$3,898	\$3,416	14%
Segment profit	\$114	\$138	(17)%
Segment profit margin	2.92%	4.03%	-111 bps

Drivers:

Revenue

- + Acquisition of the Patient Recovery business

Segment profit

- Performance of Cardinal Health Branded products, primarily Cordis
- Compensation-related items
- + Contributions from acquisitions

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

FY18 results

FY18 financial summary

	GAAP Basis (\$M) FY18	Non-GAAP Basis (\$M) FY18
Revenue <i>% change</i>	\$136,809 5%	N/A
Gross Margin <i>% change</i>	\$7,181 10%	N/A
SG&A <i>% change</i>	\$4,596 22%	N/A
Operating Earnings <i>% change</i>	\$126 (94)%	\$2,585 (7)%
Interest & Other¹ <i>% change</i>	\$352 80%	N/A
Net Earnings² <i>% change</i>	\$256 (80)%	\$1,578 (9)%
Diluted EPS² <i>% change</i>	\$0.81 (80)%	\$5.00 (7)%

¹ The sum of Other (income)/expense, net and interest expense, net

² Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.

FY18 pharmaceutical segment results

	FY18 (\$M)	FY17 (\$M)	YoY change
Revenue	\$121,241	\$116,463	4%
Segment profit	\$1,992	\$2,187	(9)%
Segment profit margin	1.64%	1.88%	-24 bps

Drivers:

Revenue

- + Pharmaceutical and Specialty distribution customers
- Previously announced expiration of a large, mail-order customer contract
- Divestiture of the company's China distribution business

Segment profit

- Impact from the company's generic program performance
- Impact from the costs of the ongoing investment in Pharmaceutical IT platform
- + Contribution from Specialty Solutions business

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

FY18 medical segment results

	FY18 (\$M)	FY17 (\$M)	YoY change
Revenue	\$15,581	\$13,524	15%
Segment profit	\$662	\$572	16%
Segment profit margin	4.25%	4.23%	+2 bps

Drivers:

Revenue

- + Acquisition of the Patient Recovery business

Segment profit

- + Contributions from acquisitions
- Performance in Cardinal Health Branded products (primarily Cordis)
- Compensation-related items

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

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**Committed to a
future of growth**

Committed to a future of growth

Area of focus	Progress
Cost structure: Conducting fundamental review of how we operate	• Cost reductions >\$100M (annualized) • Launched initiatives to deliver an additional \$100M in savings by FY20 (aggregate run rate in excess of \$200M)
Cordis: Stabilizing and repositioning for growth	• New management team in place • Maintaining sales momentum • Improving global supply chain infrastructure • Implementing new legal entity structure
Patient Recovery: Successfully integrating and operating the business	• Achieved FY18 accretion goal • Exited first TSAs on July 29 • Tracking to FY19 accretion goal
Pharma model: Evaluating upstream and downstream elements	• Evaluating customer contracting models • Discussing evolving fee structures with branded manufacturers
Portfolio and partnerships: Simplifying and expanding in critical spaces	• Divested China distribution business • Established naviHealth partnership • Enhanced relationship with Optum • Evaluating other partnership opportunities
Capital deployment: Being disciplined and thoughtful in our approach	• Reinvesting in business, returning cash to shareholders, maintaining financial flexibility • \$550M in shares repurchased and \$580M dividends in FY18 • Focused and disciplined approach to M&A

FY19 outlook

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FY19 financial expectations

	FY19 outlook	FY18 actual
Revenue	Low-single digit percentage growth	\$136.8B
Non-GAAP EPS	\$4.90 to \$5.15	\$5.00
Non-GAAP ETR	25% - 28%	29.3%
Diluted weighted average shares outstanding	302M – 307M	315M
Interest and other	\$340M - \$360M	\$352M
Capital expenditures	\$360M - \$390M	\$384M

FY19 segment outlook

Segment	Revenue	Profit
Pharmaceutical	Low-single digit percentage growth	High-single to low-double digit percentage decline
Medical	Low-single digit percentage growth	Mid to high-single digit percentage growth



Q4 FY18 trailing five quarters

GAAP TO NON-GAAP RECONCILIATION
STATEMENTS AND SUPPLEMENTAL
FINANCIAL INFORMATION

Q4 FY18 trailing five quarters segment analysis

Pharmaceutical segment

	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18
Revenue (\$M)	29,552	28,920	31,146	29,720	31,455
Segment Profit (\$M)	505	467	514	596	416

Medical segment

	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18
Revenue (\$M)	3,416	3,724	4,044	3,916	3,898
Segment Profit (\$M)	138	129	220	199	114

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation¹

			Gross Margin		Operating Earnings/ (Loss)		Operating Earnings/ (Loss)		Earnings/(Loss) Before Income Taxes		Provision for/ (Benefit from) Income Taxes		Net Earnings/ (Loss) ²		Net Earnings ² Growth Rate		Effective Tax Rate		Diluted EPS ^{2,6}		Diluted EPS ² Growth Rate	
			Gross Margin		Growth Rate		Growth Rate		Income Taxes		Income Taxes		(Loss) ²		Growth Rate		Tax Rate		Diluted EPS ^{2,6}		Growth Rate	
(in millions, except per common share amounts)																						
Fourth Quarter 2018																						
GAAP	\$	1,735		7 %	\$	(1,080)		N.M.	\$	(1,187)	\$	(21)	\$	(1,166)		N.M.		1.8 %	\$	(3.76)		N.M.
Restructuring and employee severance		—				22				22		(3)		25						0.08		
Amortization and other acquisition-related costs		—				165				165		33		132						0.42		
Impairments and (gain)/loss on disposal of assets ⁵		—				1,354				1,354		13		1,341						4.30		
Litigation (recoveries)/charges, net		—				4				4		(4)		8						0.02		
Transitional tax benefit, net ³		—				—				—		25		(25)						(0.08)		
Non-GAAP	\$	1,735		7 %	\$	465		(27)%	\$	358	\$	43	\$	315		(24)%		11.8 %	\$	1.01 ⁴		(23)%
Fourth Quarter 2017																						
GAAP	\$	1,623		(3)%	\$	439		(29)%	\$	374	\$	96	\$	274		(18)%		25.8 %	\$	0.86		(16)%
Restructuring and employee severance		—				24				24		9		15						0.05		
Amortization and other acquisition-related costs		—				163				163		45		118						0.37		
Impairments and (gain)/loss on disposal of assets		—				3				3		1		2						0.01		
Litigation (recoveries)/charges, net		—				11				11		4		7						0.02		
Non-GAAP	\$	1,623		1 %	\$	640		(1)%	\$	575	\$	155	\$	416		12 %		27.0 %	\$	1.31		15 %

¹For more information on these measures, refer to the Use of Non-GAAP Measures and Definitions schedules.

²attributable to Cardinal Health, Inc.

³Reflects the estimated net transitional benefit from the re-measurement of our deferred tax assets and liabilities partially offset by the repatriation tax on cash and earnings of foreign subsidiaries. We have not yet completed our analysis of the impact of the Tax Act and, as such, these amounts are provisional estimates and we may record additional provisional amounts or adjustments to the provisional amounts in future periods.

⁴Non-GAAP EPS for fourth quarter and fiscal year 2018 includes a \$0.07 and \$0.43 benefit from applying a lower federal tax rate to our year-to-date U.S. pre-tax non-GAAP earnings. Excluding this benefit, non-GAAP EPS would have been \$0.94 and \$4.57 for fourth quarter and fiscal year 2018, respectively.

⁵Fourth quarter and fiscal year 2018 include a goodwill impairment charge of \$1.4 billion related to our Medical segment.

⁶Fourth quarter fiscal 2018 GAAP diluted loss per share is calculated using a weighted average of 310 million common shares and excludes dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the quarter. Fourth quarter fiscal 2018 non-GAAP diluted EPS and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 312 million common shares, which includes potentially dilutive securities. The inclusion of approximately 2 million dilutive shares in the GAAP to non-GAAP per share reconciling items has a \$0.02 impact on our non-GAAP EPS calculation.

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

We generally 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 Reconciliation¹

		Gross Margin		Operating Earnings/ (Loss)		Earnings/(Loss) Before Income Taxes		Provision for/ (Benefit from) Income Taxes		Net Earnings/ (Loss) ²		Net Earnings ² Growth Rate		Effective Tax Rate		Diluted EPS ²		Diluted EPS ² Growth Rate
	Gross Margin	Growth Rate																
(in millions, except per common share amounts)																		
Fiscal Year 2018																		
GAAP	\$	7,181	10 %	\$	126	(94)%	\$	(228)	\$	(487)	\$	259	(80)%	213.8 %	\$	0.81	(80)%	
Restructuring and employee severance		—			176			176		25		151					0.48	
Amortization and other acquisition-related costs		—			707			707		176		531					1.69	
Impairments and (gain)/loss on disposal of assets ⁵		—			1,417			1,417		(44)		1,461					4.64	
Litigation (recoveries)/charges, net		—			159			159		48		111					0.35	
Loss on extinguishment of debt		—			—			2		1		1					—	
Transitional tax benefit, net ³		—			—			—		936		(936)					(2.97)	
Non-GAAP	\$	7,181	10 %	\$	2,585	(7)%	\$	2,233	\$	655	\$	1,578	(9)%	29.3 %	\$	5.00 ⁴	(7)%	
Fiscal Year 2017																		
GAAP	\$	6,544	—%	\$	2,120	(14)%	\$	1,924	\$	630	\$	1,288	(10)%	32.7 %	\$	4.03	(7)%	
Restructuring and employee severance		—			56			56		20		36					0.11	
Amortization and other acquisition-related costs		—			527			527		165		362					1.13	
Impairments and (gain)/loss on disposal of assets		—			18			18		6		12					0.04	
Litigation (recoveries)/charges, net		—			48			48		19		29					0.09	
Non-GAAP	\$	6,544	—%	\$	2,769	(4)%	\$	2,572	\$	839	\$	1,727	—%	32.6 %	\$	5.40	3 %	

¹For more information on these measures, refer to the Use of Non-GAAP Measures and Definitions schedules.

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⁴Non-GAAP EPS for fourth quarter and fiscal year 2018 includes a \$0.07 and \$0.43 benefit from applying a lower federal tax rate to our year-to-date U.S. pre-tax non-GAAP earnings. Excluding this benefit, non-GAAP EPS would have been \$0.94 and \$4.57 for fourth quarter and fiscal year 2018, respectively.

⁵Fourth quarter and fiscal year 2018 include a goodwill impairment charge of \$1.4 billion related to our Medical segment.

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

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

Cardinal Health, Inc. and Subsidiaries
Segment Information

(in millions)	Fourth Quarter				(in millions)	Fourth Quarter			
	2018		2017			2018		2017	
Pharmaceutical					Medical				
Revenue					Revenue				
Amount	\$	31,455	\$	29,552	Amount	\$	3,898	\$	3,416
Growth rate		6 %		5 %	Growth rate		14 %		6 %
Segment profit					Segment profit				
Amount	\$	416	\$	505	Amount	\$	114	\$	138
Growth rate		(18)%		(7)%	Growth rate		(17)%		13 %
Segment profit margin		1.32 %		1.71 %	Segment profit margin		2.92 %		4.03 %

(in millions)	Fiscal Year				(in millions)	Fiscal Year			
	2018		2017			2018		2017	
Pharmaceutical					Medical				
Revenue					Revenue				
Amount	\$	121,241	\$	116,463	Amount	\$	15,581	\$	13,524
Growth rate		4 %		7 %	Growth rate		15 %		9 %
Segment profit					Segment profit				
Amount	\$	1,992	\$	2,187	Amount	\$	662	\$	572
Growth rate		(9)%		(12)%	Growth rate		16% ¹		25% ²
Segment profit margin		1.64 %		1.88 %	Segment profit margin		4.25 %		4.23 %

¹Segment profit includes a \$64 million impact from the roll-out of the inventory fair value step up related to the Patient Recovery acquisition for fiscal year 2018. Excluding the impact of the inventory fair value step up, Medical segment profit would have increased 27% for fiscal year 2018.

²Segment profit for fiscal year 2016 includes the \$43 million unfavorable impact of the Cordis-related inventory fair value step-up. Excluding this step-up, year-over-year Medical segment profit growth was 14 percent for fiscal year 2017.

Cardinal Health, Inc. and Subsidiaries

Forward Looking non-GAAP Measures

In this document, the Company presents certain forward-looking non-GAAP metrics. The Company does not provide outlook on a GAAP basis because changes in the items that the Company excludes from GAAP to calculate the comparable non-GAAP measure can be dependent on future events that are less capable of being controlled or reliability predicted by management and are not part of the Company's routine operating activities. Additionally, management does not forecast many of the excluded items for internal use and therefore cannot create or rely on outlook done on a GAAP basis.

The timing and amount of any of the items excluded from GAAP to calculate non-GAAP could significantly impact the Company's fiscal 2019 GAAP results. Over the past five years, the excluded items have lowered the Company's EPS from \$0.47 to \$4.19, which includes a goodwill impairment charge of \$4.36 per share related to our Medical segment that we recognized in fiscal 2018.

Cardinal Health, Inc. and Subsidiaries

Definitions

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

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

Non-GAAP effective tax rate: (provision for income taxes adjusted for (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, (6) loss on extinguishment of debt, and (7) transitional tax benefit, (net) divided by (earnings before income taxes adjusted for the first six items).

Non-GAAP Gross Margin: Gross margin excluding LIFO charges/(credits).

Non-GAAP net earnings attributable to Cardinal Health, Inc.: net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, (6) loss on extinguishment of debt, each net of tax, and (7) transitional tax benefit, net.

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

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.

¹The 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.

²Programs 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).

³Costs that consist primarily of amortization of acquisition-related intangible assets, transaction costs, integration costs, and changes in the fair value of contingent consideration obligations.

⁴Asset 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.

⁵Loss contingencies related to litigation and regulatory matters and income from favorable resolution of legal matters.

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

⁷Estimate for the re-measurement of deferred tax assets and liabilities due to the reduction of the U.S. federal corporate income tax rate and the repatriation tax on undistributed foreign earnings.