



FOR IMMEDIATE RELEASE

## Cardinal Health Reports First Quarter Fiscal 2023 Results

- **Revenue increased 13% to \$49.6 billion**
- **GAAP<sup>1</sup> operating earnings were \$137 million, GAAP diluted EPS were \$0.40**
- **Non-GAAP operating earnings decreased 20% to \$423 million due to a decline in Medical segment profit, partially offset by an increase in Pharmaceutical segment profit; non-GAAP diluted EPS decreased 7% to \$1.20**
- **Company reaffirmed fiscal year 2023 non-GAAP EPS guidance**

**DUBLIN, Ohio, November 4, 2022** - Cardinal Health (NYSE: CAH) today reported first quarter fiscal year 2023 revenues of \$49.6 billion, an increase of 13% from the first quarter of last year. First quarter GAAP operating earnings were \$137 million, including a non-cash, pre-tax goodwill impairment charge of \$154 million in the Medical segment. GAAP diluted earnings per share (EPS) were \$0.40. Non-GAAP operating earnings decreased 20% to \$423 million in the quarter due to a decline in Medical segment profit, primarily resulting from net inflationary impacts, partially offset by an increase in Pharmaceutical segment profit. Non-GAAP diluted earnings per share decreased 7% to \$1.20, reflecting the change in non-GAAP operating earnings, partially offset by lower interest expense and a lower non-GAAP effective tax rate and share count.

"Our performance in the first quarter demonstrated stable fundamentals in the Pharmaceutical segment and tangible progress in the Medical segment," said Jason Hollar, CEO of Cardinal Health. "We are reaffirming our full year non-GAAP EPS guidance as we remain focused on our Medical Improvement Plan initiatives and building upon the growth of our Pharmaceutical business. Across the company, we are operating with urgency to drive our businesses forward and remain committed to creating shareholder value."

## Q1 FY23 summary

|                                                             | Q1 FY23               | Q1 FY22        | Y/Y   |
|-------------------------------------------------------------|-----------------------|----------------|-------|
| Revenue                                                     | <b>\$49.6 billion</b> | \$44.0 billion | 13%   |
| Operating earnings                                          | <b>\$137 million</b>  | \$415 million  | (67)% |
| Non-GAAP operating earnings                                 | <b>\$423 million</b>  | \$527 million  | (20)% |
| Net earnings attributable to Cardinal Health, Inc.          | <b>\$110 million</b>  | \$271 million  | (59)% |
| Non-GAAP net earnings attributable to Cardinal Health, Inc. | <b>\$328 million</b>  | \$372 million  | (12)% |
| Effective Tax Rate <sup>2</sup>                             | <b>(0.7%)</b>         | 26.3%          |       |
| Non-GAAP Effective Tax Rate                                 | <b>16.9%</b>          | 24.2%          |       |
| Diluted EPS attributable to Cardinal Health, Inc.           | <b>\$0.40</b>         | \$0.94         | (57)% |
| Non-GAAP diluted EPS attributable to Cardinal Health, Inc.  | <b>\$1.20</b>         | \$1.29         | (7)%  |

## Segment results

### Pharmaceutical segment

|                | Q1 FY23        | Q1 FY22        | Y/Y |
|----------------|----------------|----------------|-----|
| Revenue        | \$45.8 billion | \$39.8 billion | 15% |
| Segment profit | \$431 million  | \$406 million  | 6%  |

First-quarter revenue for the Pharmaceutical segment increased 15% to \$45.8 billion, driven by branded pharmaceutical sales growth from existing and net new Pharmaceutical Distribution and Specialty customers.

Pharmaceutical segment profit increased 6% to \$431 million in the first quarter, driven by generics program performance and a higher contribution from brand and specialty products, partially offset by inflationary supply chain costs.

### Medical segment

|                | Q1 FY23       | Q1 FY22       | Y/Y  |
|----------------|---------------|---------------|------|
| Revenue        | \$3.8 billion | \$4.1 billion | (9)% |
| Segment profit | \$(8) million | \$123 million | N.M. |

First-quarter revenue for the Medical segment decreased 9% to \$3.8 billion, driven by lower Products and Distribution sales, primarily due to PPE pricing and volumes. To a lesser extent, this also reflects the divestiture of the Cordis business, which was mostly offset by sales growth in at-Home Solutions.

Medical segment loss of \$8 million in the first quarter was primarily due to net inflationary impacts in Products and Distribution and a lower contribution from PPE. The first quarter loss reflects \$20 million in total inventory charges related to the previously-announced simplification actions, including the sale of certain disposable gloves primarily utilized in non-healthcare industries.

### Fiscal year 2023 outlook<sup>1</sup>

The company reaffirmed its fiscal year 2023 guidance range for non-GAAP diluted earnings per share attributable to Cardinal Health, Inc. of \$5.05 to \$5.40.

This guidance includes an update to Medical segment profit outlook to flat to 20% decline, from 10% growth to 10% decline, which reflects the impact of the previously announced simplification actions. Additionally, the company updated expectations for its fiscal 2023 interest and other to \$140 million to \$160 million, from \$140 million to \$170 million; its non-GAAP effective tax rate to 23% to 24%, from 23% to 25%; and its diluted weighted average shares outstanding to 262 million to 264 million, from 262 million to 266 million.

The company does not provide forward-looking guidance on a GAAP basis as certain financial information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated. See "Use of Non-GAAP Measures" following the attached schedules for additional explanation.

### Recent highlights

- Cardinal Health announced initiatives aimed at positioning the company for long-term success, building on Cardinal Health's previously announced growth plans. These initiatives have benefited from input received from Elliott Investment Management L.P and include (1) the appointment of four new independent directors to the Board of Directors ("Board"); (2) the formation of the Business Review Committee of the Board, to support a comprehensive review of the company's strategy, portfolio, capital-allocation framework and operations with the goal of maximizing Cardinal Health's potential for the benefit of all stakeholders; and (3) the company's plan to hold an Investor Day in the first half of calendar 2023 to share the conclusions of the Business Review Committee's review and to provide additional guidance.
- Cardinal Health announced Debbie Weitzman became CEO of the company's Pharmaceutical Segment on September 19, 2022, after serving in her prior role of President of Pharmaceutical Distribution. As part of the company's broader simplification efforts, Cardinal Health took actions to further streamline the Pharmaceutical Segment with efforts aimed to strengthen Pharmaceutical Distribution and Specialty, a key growth area, as well as bring together similar services under one team.
- Cardinal Health announced the exit of its non-healthcare disposable gloves portfolio on September 13, 2022. The sale of this product portfolio is part of the company's ongoing simplification actions, which resulted in approximately \$20 million in total inventory charges in the first quarter of fiscal year 2023.

- Cardinal Health was named to Seramount's 2022 Inclusion Index, an honor recognizing companies committed to advancing diversity, equity and inclusion (DE&I) in the workplace.

### Upcoming webcasted investor events

- Evercore ISI Healthcare Conference at 8:50 a.m. EST, November 30, 2022
- J.P. Morgan Healthcare Conference, January 9-12, 2023

### Webcast

Cardinal Health will host a webcast today at 8:30 a.m. EST to discuss first quarter results. To access the webcast and corresponding slide presentation, go to the Investor Relations page at [ir.cardinalhealth.com](https://ir.cardinalhealth.com). No access code is required.

Presentation slides and a webcast replay will be available on the Investor Relations page for 12 months.

### About Cardinal Health

Cardinal Health is a distributor of pharmaceuticals, a global manufacturer and distributor of medical and laboratory products, and a provider of performance and data solutions for health care facilities. With 50 years in business, operations in more than 30 countries and approximately 46,500 employees globally, Cardinal Health is essential to care. Information about Cardinal Health is available at [cardinalhealth.com](https://cardinalhealth.com).

### Contacts

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<sup>1</sup> GAAP refers to U.S. generally accepted accounting principles. This news release includes GAAP financial measures as well as non-GAAP financial measures, which are financial measures not calculated in accordance with GAAP. See "Use of Non-GAAP Measures" following the attached schedules for definitions of the non-GAAP financial measures presented in this news release and see the attached schedules for reconciliations of the differences between the non-GAAP financial measures and their most directly comparable GAAP financial measures.

<sup>2</sup> During the first quarter of fiscal 2023 and 2022, the effective tax rate was (0.7) percent and 26.3 percent, respectively. The decrease in the effective tax rate reflects the impact of certain favorable discrete items.

Cardinal Health uses its website as a channel of distribution for material company information. Important information, including news releases, financial information, earnings and analyst presentations, and information about upcoming presentations and events is routinely posted and accessible on the Investor Relations page at [ir.cardinalhealth.com](https://ir.cardinalhealth.com). In addition, the website allows investors and other interested persons to sign up automatically to receive email alerts when the company posts news releases, SEC filings and certain other information on its website.

### Cautions Concerning Forward-Looking Statements

This release 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 various accruals and estimates. 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 risks arising from ongoing inflationary pressures and supply chain constraints, including the risk that our plans to mitigate such effects may not be as successful as we anticipate and the possibility that costs to source certain personal protective or other equipment, increased costs for transportation, shipping, freight and commodities, reduced price or demand for certain products may result in additional inventory reserves or disruptions and may negatively impact our ability to meet our long-term guidance; the possibility that our Medical unit goodwill could be further impaired, due to the increase in global interest rates or possible unfavorable changes in the U.S. statutory tax rate; competitive pressures in Cardinal Health's various lines of business; the performance of our generics program, including 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; ongoing risks associated with the distribution of opioids, including the financial impact associated with the settlements with governmental authorities, the risk that challenges to our plans to take tax deductions for opioid-related losses could adversely impact our financial results; risks arising from the Department of Justice

investigation which we believe concerns our anti-diversion program and risks associated with the injunctive relief requirements under the national settlement, including the risk that we may incur higher costs or operational challenges in the implementation and maintenance of the required changes; risks associated with the manufacture and sourcing of certain products, including risks related to our ability and the ability of third-party manufacturers to import or export certain products or component parts and to comply with applicable regulations; our ability to manage uncertainties associated with the pricing of branded pharmaceuticals; and risks associated with our cost savings initiatives or other business initiatives, such as the Medical Improvement Plan, including the possibility that they could fail to achieve the intended results. 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 release reflects management's views as of November 4, 2022. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement. Forward-looking statements are aspirational and not guarantees or promises that goals, targets or projections will be met, and no assurance can be given that any commitment, expectation, initiative or plan in this report can or will be achieved or completed. Cardinal Health provides definitions and reconciliations of non-GAAP financial measures and their most directly comparable GAAP financial measures at [ir.cardinalhealth.com](http://ir.cardinalhealth.com).

**Cardinal Health, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Earnings (Unaudited)**

| (in millions, except per common share amounts)                          | First Quarter |               |              |
|-------------------------------------------------------------------------|---------------|---------------|--------------|
|                                                                         | 2023          | 2022          | % Change     |
| Revenue                                                                 | \$ 49,603     | \$ 43,968     | 13 %         |
| Cost of products sold                                                   | 47,989        | 42,326        | 13 %         |
| Gross margin                                                            | 1,614         | 1,642         | (2)%         |
| <b>Operating expenses:</b>                                              |               |               |              |
| Distribution, selling, general and administrative expenses              | 1,197         | 1,114         | 7 %          |
| Restructuring and employee severance                                    | 29            | 18            |              |
| Amortization and other acquisition-related costs                        | 71            | 79            |              |
| Impairments and (gain)/loss on disposal of assets, net <sup>1</sup>     | 153           | (2)           |              |
| Litigation (recoveries)/charges, net                                    | 27            | 18            |              |
| Operating earnings                                                      | 137           | 415           | (67)%        |
| Other (income)/expense, net                                             | 2             | (4)           |              |
| Interest expense, net                                                   | 25            | 40            | (38)%        |
| Loss on early extinguishment of debt                                    | —             | 10            |              |
| Earnings before income taxes                                            | 110           | 369           | (70)%        |
| Provision for/(benefit from) income taxes <sup>2</sup>                  | (1)           | 97            | N.M.         |
| Net earnings                                                            | 111           | 272           | (59)%        |
| Less: Net earnings attributable to noncontrolling interests             | (1)           | (1)           |              |
| <b>Net earnings attributable to Cardinal Health, Inc.</b>               | <b>\$ 110</b> | <b>\$ 271</b> | <b>(59)%</b> |
| <b>Earnings per common share attributable to Cardinal Health, Inc.:</b> |               |               |              |
| Basic                                                                   | \$ 0.41       | \$ 0.94       | (56)%        |
| Diluted                                                                 | 0.40          | 0.94          | (57)%        |
| <b>Weighted-average number of common shares outstanding:</b>            |               |               |              |
| Basic                                                                   | 271           | 287           |              |
| Diluted                                                                 | 273           | 289           |              |

<sup>1</sup> For the three months ended September 30, 2022, impairments and (gain)/loss on disposals of assets, net includes a pre-tax goodwill impairment charge of \$154 million related to the Medical segment.

<sup>2</sup> For fiscal 2023, the net tax benefit related to the goodwill impairment charge is \$12 million and is included in the annual effective tax rate. As a result, the amount of tax benefit for the three months ended September 30, 2022 increased approximately by an incremental \$22 million and is expected to increase the provision for income taxes during the remainder of the fiscal year.

**Cardinal Health, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**

| (in millions)                                                            | September 30,<br>2022<br>(Unaudited) | June 30,<br>2022 |
|--------------------------------------------------------------------------|--------------------------------------|------------------|
| <b>Assets</b>                                                            |                                      |                  |
| <b>Current assets:</b>                                                   |                                      |                  |
| Cash and equivalents                                                     | \$ 3,492                             | \$ 4,717         |
| Trade receivables, net                                                   | 11,039                               | 10,561           |
| Inventories, net                                                         | 15,891                               | 15,636           |
| Prepaid expenses and other                                               | 2,274                                | 2,021            |
| Total current assets                                                     | 32,696                               | 32,935           |
| Property and equipment, net                                              | 2,339                                | 2,361            |
| Goodwill and other intangibles, net                                      | 7,367                                | 7,629            |
| Other assets                                                             | 985                                  | 953              |
| <b>Total assets</b>                                                      | <b>\$ 43,387</b>                     | <b>\$ 43,878</b> |
| <b>Liabilities and Shareholders' Deficit</b>                             |                                      |                  |
| <b>Current liabilities:</b>                                              |                                      |                  |
| Accounts payable                                                         | \$ 28,362                            | \$ 27,128        |
| Current portion of long-term obligations and other short-term borrowings | 578                                  | 580              |
| Other accrued liabilities                                                | 2,619                                | 2,842            |
| Total current liabilities                                                | 31,559                               | 30,550           |
| Long-term obligations, less current portion                              | 4,689                                | 4,735            |
| Deferred income taxes and other liabilities                              | 8,919                                | 9,299            |
| Total shareholders' deficit                                              | (1,780)                              | (706)            |
| <b>Total liabilities and shareholders' deficit</b>                       | <b>\$ 43,387</b>                     | <b>\$ 43,878</b> |

**Cardinal Health, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**

| (in millions)                                                                                  | First Quarter   |                 |
|------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                | 2023            | 2022            |
| <b>Cash flows from operating activities:</b>                                                   |                 |                 |
| Net earnings                                                                                   | \$ 111          | \$ 272          |
| Adjustments to reconcile net earnings to net cash provided by/(used in) operating activities:  |                 |                 |
| Depreciation and amortization                                                                  | 171             | 168             |
| Impairments and (gain)/loss on disposal of assets, net                                         | 153             | (2)             |
| Loss on early extinguishment of debt                                                           | —               | 10              |
| Share-based compensation                                                                       | 23              | 24              |
| Provision for bad debts                                                                        | 29              | 12              |
| Change in operating assets and liabilities, net of effects from acquisitions and divestitures: |                 |                 |
| Increase in trade receivables                                                                  | (508)           | (214)           |
| Increase in inventories                                                                        | (264)           | (129)           |
| Increase/(decrease) in accounts payable                                                        | 1,234           | (292)           |
| Other accrued liabilities and operating items, net                                             | (926)           | (495)           |
| Net cash provided by/(used in) operating activities                                            | 23              | (646)           |
| <b>Cash flows from investing activities:</b>                                                   |                 |                 |
| Proceeds from divestitures, net of cash sold                                                   | —               | 927             |
| Additions to property and equipment                                                            | (70)            | (67)            |
| Proceeds from disposal of property and equipment                                               | 2               | —               |
| Purchases of investments                                                                       | (3)             | (2)             |
| Proceeds from investments                                                                      | 1               | 4               |
| Net cash provided by/(used in) investing activities                                            | (70)            | 862             |
| <b>Cash flows from financing activities:</b>                                                   |                 |                 |
| Reduction of long-term obligations                                                             | (7)             | (587)           |
| Net tax withholdings from share-based compensation                                             | (14)            | (28)            |
| Dividends on common shares                                                                     | (142)           | (149)           |
| Purchase of treasury shares                                                                    | (1,000)         | (500)           |
| Net cash used in financing activities                                                          | (1,163)         | (1,264)         |
| Effect of exchange rates changes on cash and equivalents                                       | (15)            | (5)             |
| Cash reclassified from assets held for sale                                                    | —               | 109             |
| Net decrease in cash and equivalents                                                           | (1,225)         | (944)           |
| Cash and equivalents at beginning of period                                                    | 4,717           | 3,407           |
| <b>Cash and equivalents at end of period</b>                                                   | <b>\$ 3,492</b> | <b>\$ 2,463</b> |

**Cardinal Health, Inc. and Subsidiaries**  
**Segment Information**

**First Quarter**

| (in millions)         | 2023      | 2022      | (in millions)         | 2023     | 2022     |
|-----------------------|-----------|-----------|-----------------------|----------|----------|
| <b>Pharmaceutical</b> |           |           | <b>Medical</b>        |          |          |
| <b>Revenue</b>        |           |           | <b>Revenue</b>        |          |          |
| Amount                | \$ 45,828 | \$ 39,822 | Amount                | \$ 3,778 | \$ 4,149 |
| Growth rate           | 15 %      | 13 %      | Growth rate           | (9)%     | 5 %      |
| <b>Segment profit</b> |           |           | <b>Segment profit</b> |          |          |
| Amount                | \$ 431    | \$ 406    | Amount                | \$ (8)   | \$ 123   |
| Growth rate           | 6 %       | 1 %       | Growth rate           | N.M.     | (46)%    |
| Segment profit margin | 0.94 %    | 1.02 %    | Segment profit margin | (0.21)%  | 2.97 %   |

The sum of the components and certain computations may reflect rounding adjustments.

**Cardinal Health, Inc. and Subsidiaries**  
**GAAP / Non-GAAP Reconciliation<sup>1</sup>**

| (in millions, except per common share amounts)                      | Gross Margin    |             | SG&A <sup>2</sup> |             | Operating Earnings |              | Earnings Before Taxes |           | Provision for/ (Benefit from) Income Taxes |           | Net Earnings <sup>3</sup> |              | Effective Tax Rate |           | Diluted EPS <sup>3</sup> |              |
|---------------------------------------------------------------------|-----------------|-------------|-------------------|-------------|--------------------|--------------|-----------------------|-----------|--------------------------------------------|-----------|---------------------------|--------------|--------------------|-----------|--------------------------|--------------|
|                                                                     | Gross Margin    | Growth Rate | SG&A <sup>2</sup> | Growth Rate | Operating Earnings | Growth Rate  | Income Taxes          |           | Income Taxes                               |           | Net Earnings <sup>3</sup> | Growth Rate  | Tax Rate           |           | Diluted EPS <sup>3</sup> | Growth Rate  |
| <b>First Quarter 2023</b>                                           |                 |             |                   |             |                    |              |                       |           |                                            |           |                           |              |                    |           |                          |              |
| <b>GAAP</b>                                                         | <b>\$ 1,614</b> | <b>(2)%</b> | <b>\$ 1,197</b>   | <b>7 %</b>  | <b>\$ 137</b>      | <b>(67)%</b> | <b>\$ 110</b>         | <b>\$</b> | <b>(1)</b>                                 | <b>\$</b> | <b>110</b>                | <b>(59)%</b> | <b>(0.7)%</b>      | <b>\$</b> | <b>0.40</b>              | <b>(57)%</b> |
| Shareholder cooperation agreement costs                             | —               |             | (6)               |             | 6                  |              | 6                     |           | 2                                          |           | 4                         |              |                    |           | 0.01                     |              |
| Restructuring and employee severance                                | —               |             | —                 |             | 29                 |              | 29                    |           | 7                                          |           | 22                        |              |                    |           | 0.08                     |              |
| Amortization and other acquisition-related costs                    | —               |             | —                 |             | 71                 |              | 71                    |           | 18                                         |           | 53                        |              |                    |           | 0.20                     |              |
| Impairments and (gain)/loss on disposal of assets, net <sup>4</sup> | —               |             | —                 |             | 153                |              | 153                   |           | 34                                         |           | 119                       |              |                    |           | 0.44                     |              |
| Litigation (recoveries)/charges, net                                | —               |             | —                 |             | 27                 |              | 27                    |           | 7                                          |           | 20                        |              |                    |           | 0.07                     |              |
| <b>Non-GAAP</b>                                                     | <b>\$ 1,614</b> | <b>(2)%</b> | <b>\$ 1,191</b>   | <b>7 %</b>  | <b>\$ 423</b>      | <b>(20)%</b> | <b>\$ 396</b>         | <b>\$</b> | <b>67</b>                                  | <b>\$</b> | <b>328</b>                | <b>(12)%</b> | <b>16.9 %</b>      | <b>\$</b> | <b>1.20</b>              | <b>(7)%</b>  |
| <b>First Quarter 2022</b>                                           |                 |             |                   |             |                    |              |                       |           |                                            |           |                           |              |                    |           |                          |              |
| <b>GAAP</b>                                                         | <b>\$ 1,642</b> | <b>(4)%</b> | <b>\$ 1,114</b>   | <b>(2)%</b> | <b>\$ 415</b>      | <b>N.M.</b>  | <b>\$ 369</b>         | <b>\$</b> | <b>97</b>                                  | <b>\$</b> | <b>271</b>                | <b>N.M.</b>  | <b>26.3 %</b>      | <b>\$</b> | <b>0.94</b>              | <b>N.M.</b>  |
| Restructuring and employee severance                                | —               |             | —                 |             | 18                 |              | 18                    |           | 4                                          |           | 14                        |              |                    |           | 0.04                     |              |
| Amortization and other acquisition-related costs                    | —               |             | —                 |             | 79                 |              | 79                    |           | 21                                         |           | 58                        |              |                    |           | 0.20                     |              |
| Impairments and (gain)/loss on disposal of assets, net              | —               |             | —                 |             | (2)                |              | (2)                   |           | (10)                                       |           | 8                         |              |                    |           | 0.03                     |              |
| Litigation (recoveries)/charges, net                                | —               |             | —                 |             | 18                 |              | 18                    |           | 4                                          |           | 14                        |              |                    |           | 0.05                     |              |
| Loss on early extinguishment of debt                                | —               |             | —                 |             | —                  |              | 10                    |           | 3                                          |           | 7                         |              |                    |           | 0.03                     |              |
| <b>Non-GAAP</b>                                                     | <b>\$ 1,642</b> | <b>(4)%</b> | <b>\$ 1,114</b>   | <b>1 %</b>  | <b>\$ 527</b>      | <b>(15)%</b> | <b>\$ 491</b>         | <b>\$</b> | <b>119</b>                                 | <b>\$</b> | <b>372</b>                | <b>(17)%</b> | <b>24.2 %</b>      | <b>\$</b> | <b>1.29</b>              | <b>(15)%</b> |

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

<sup>2</sup>Distribution, selling, general and administrative expenses.

<sup>3</sup>Attributable to Cardinal Health, Inc.

<sup>4</sup>For the three months ended September 30, 2022, impairments and (gain)/loss on disposals of assets, net includes a pre-tax goodwill impairment charge of \$154 million related to the Medical segment. For fiscal 2023, the net tax benefit related to this impairment charge is \$12 million and is included in the annual effective tax rate. As a result, the amount of tax benefit for the three months ended September 30, 2022 increased approximately by an incremental \$22 million and is expected to increase the provision for income taxes during the remainder of the fiscal year.

The sum of the components and certain computations may reflect rounding adjustments.

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 Reconciliation - GAAP Cash Flow to Non-GAAP Adjusted Free Cash Flow

|                                                                              | First Quarter |
|------------------------------------------------------------------------------|---------------|
| (in millions)                                                                | 2023          |
| GAAP - Cash Flow Categories                                                  |               |
| Net cash provided by operating activities                                    | \$ 23         |
| Net cash used in investing activities                                        | (70)          |
| Net cash used in financing activities                                        | (1,163)       |
| Effect of exchange rates changes on cash and equivalents                     | (15)          |
| Net decrease in cash and equivalents                                         | \$ (1,225)    |
| Non-GAAP Adjusted Free Cash Flow                                             |               |
| Net cash provided by operating activities                                    | \$ 23         |
| Additions to property and equipment                                          | (70)          |
| Payments related to matters included in litigation (recoveries)/charges, net | 389           |
| Non-GAAP Adjusted Free Cash Flow                                             | \$ 342        |

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

## Cardinal Health, Inc. and Subsidiaries

### Use of Non-GAAP Measures

This earnings release contains financial measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP").

In addition to analyzing our business based on financial information prepared in accordance with GAAP, we use these non-GAAP financial measures internally to evaluate our performance, engage in financial and operational planning, and determine incentive compensation because we believe that these measures provide additional perspective on and, in some circumstances are more closely correlated to, the performance of our underlying, ongoing business. We provide these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on our financial and operating results on a year-over-year basis and in comparing our performance to that of our competitors. However, the non-GAAP financial measures that we use may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The non-GAAP financial measures disclosed by us should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements set forth below should be carefully evaluated.

### Exclusions from Non-GAAP Financial Measures

Management believes it is useful to exclude the following items from the non-GAAP measures presented in this report for its own and for investors' assessment of the business for the reasons identified below:

- LIFO charges and credits are excluded because the factors that drive last-in first-out ("LIFO") inventory charges or credits, such as pharmaceutical manufacturer price appreciation or deflation and year-end inventory levels (which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end), are largely out of our control and cannot be accurately predicted. The exclusion of LIFO charges and credits from non-GAAP metrics facilitates comparison of our current financial results to our historical financial results and to our peer group companies' financial results. We did not recognize any LIFO charges or credits during the periods presented.
- Surgical gown recall costs or income includes inventory write-offs and certain remediation and supply disruption costs, net of related insurance recoveries, arising from the January 2020 recall of select Association for the Advancement of Medical Instrumentation ("AAMI") Level 3 surgical gowns and voluntary field actions (a recall of some packs and a corrective action allowing overlabeling of other packs) for Presource Procedure Packs containing affected gowns. Income from surgical gown recall costs represents insurance recoveries of these certain costs. We have excluded these costs from our non-GAAP metrics to allow investors to better understand the underlying operating results of the business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results.
- Shareholder cooperation agreement costs includes costs such as legal, consulting and other expenses incurred in relation to the agreement (the "Cooperation Agreement") entered into among Elliott Associates, L.P., Elliott International, L.P. (together, "Elliott") and Cardinal Health, including costs incurred to negotiate and finalize the Cooperation Agreement and costs incurred by the new Business Review Committee of the Board of Directors, which was formed under this Cooperation Agreement. We have excluded these costs from our non-GAAP metrics because they do not occur in or reflect the ordinary course of our ongoing business operations and may obscure analysis of trends and financial performance.
- State opioid assessments related to prior fiscal years is the portion of state assessments for prescription opioid medications that were sold or distributed in periods prior to the period in which the expense is incurred. This portion is excluded from non-GAAP financial measures because it is retrospectively applied to sales in prior fiscal years and inclusion would obscure analysis of the current fiscal year results of our underlying, ongoing business. Additionally, while states' laws may require us to make payments on an ongoing basis, the portion of the assessment related to sales in prior periods are contemplated to be one-time, nonrecurring items. Income from state opioid assessments related to prior fiscal years represents reversals of accruals when the underlying assessments were invalidated by a Court or reimbursed by manufacturers.
- Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business.
- Amortization and other acquisition-related costs, which include transaction costs, integration costs, and changes in the fair value of contingent consideration obligations, are excluded because they are not part of the ongoing operations of our underlying business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results. Additionally, costs for amortization of acquisition-related intangible assets are non-cash amounts, which are variable in amount and frequency and are significantly impacted by the timing and size of acquisitions, so their exclusion facilitates comparison of historical, current and forecasted financial results. We also exclude other acquisition-related costs, which are directly related to an acquisition but do not meet the criteria to be recognized on the acquired entity's initial balance sheet as part of the purchase price allocation. These costs are also significantly impacted by the timing, complexity and size of acquisitions.
- Impairments and gain or loss on disposal of assets, net are excluded because they do not occur in or reflect the ordinary course of our ongoing business operations and are inherently unpredictable in timing and amount, and in the case of impairments, are non-cash amounts, so their exclusion facilitates comparison of historical, current and forecasted financial results.
- Litigation recoveries or charges, net are excluded because they often relate to events that may have occurred in prior or multiple periods, do not occur in or reflect the ordinary course of our business and are inherently unpredictable in timing and amount. During fiscal 2022, we

incurred a one-time contingent attorneys' fee of \$18 million related to the finalization of the settlement agreement (the "Settlement Agreement") resulting in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities. Due to the unique nature and significance of the Settlement Agreement, and the one-time, contingent nature of the fee, this fee was included in litigation recoveries or charges, net. Additionally, during fiscal 2022 our Pharmaceutical segment profit was positively impacted by a \$16 million judgment for lost profits. This judgment was the result of an ordinary course intellectual property rights claim and, therefore, is not adjusted in calculating the litigation recoveries or charges, net adjustment. During fiscal 2021, we incurred a tax benefit related to a carryback of a net operating loss. Some pre-tax amounts, which contributed to this loss, relate to litigation charges. As a result, we allocated substantially all of the tax benefit to litigation charges.

- Loss on early extinguishment of debt is excluded because it does not typically occur in the normal course of business and may obscure analysis of trends and financial performance. Additionally, the amount and frequency of this type of charge is not consistent and is significantly impacted by the timing and size of debt extinguishment transactions.
- (Gain)/Loss on sale of equity interest in naviHealth was incurred in connection with the sale of our remaining equity interest in naviHealth in fiscal 2020. The equity interest was retained in connection with the initial sale of our majority interest in naviHealth during fiscal 2019. We exclude this significant gain because gains or losses on investments of this magnitude do not typically occur in the normal course of business and are similar in nature to a gain or loss from a divestiture of a majority interest, which we exclude from non-GAAP results. The gain on the initial sale of our majority interest in naviHealth in fiscal 2019 was also excluded from our non-GAAP measures.

The tax effect for each of the items listed above is determined using the tax rate and other tax attributes applicable to the item and the jurisdiction(s) in which the item is recorded. The gross, tax and net impact of each item are presented with our GAAP to non-GAAP reconciliations.

Non-GAAP adjusted free cash flow: We provide this non-GAAP financial measure as a supplemental metric to assist readers in assessing the effects of items and events on our cash flow on a year-over-year basis and in comparing our performance to that of our peer group companies. In calculating this non-GAAP metric, certain items are excluded from net cash provided by operating activities because they relate to significant and unusual or non-recurring events and are inherently unpredictable in timing and amount. We believe adjusted free cash flow is important to management and useful to investors as a supplemental measure as it indicates the cash flow available for working capital needs, debt repayments, dividend payments, share repurchases, strategic acquisitions, or other strategic uses of cash. A reconciliation of our GAAP financial results to Non-GAAP adjusted free cash flow is provided in Schedule 6 of the financial statement tables included with this release.

## 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 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 reliably 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 occurrence, timing and amount of any of the items excluded from GAAP to calculate non-GAAP could significantly impact the Company's fiscal 2023 GAAP results. Over the past five fiscal years, the excluded items have impacted the Company's EPS from \$0.75 to \$18.06, which includes a \$17.54 charge related to the opioid litigation we recognized in fiscal 2020.

## Definitions

**Growth rate calculation:** growth rates in this report are determined by dividing the difference between current-period results and prior-period results by prior-period results.

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

**Non-GAAP gross margin:** gross margin, excluding LIFO charges/(credits) and surgical gown recall costs/(income).

**Non-GAAP distribution, selling, general and administrative expenses or Non-GAAP SG&A:** distribution, selling, general and administrative expenses, excluding surgical gown recall costs/(income), shareholder cooperation agreement costs and state opioid assessment related to prior fiscal years.

**Non-GAAP operating earnings:** operating earnings excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) shareholder cooperation agreement costs, (4) state opioid assessment related to prior fiscal years, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net, and (8) litigation (recoveries)/charges, net.

**Non-GAAP earnings before income taxes:** earnings before income taxes excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) shareholder cooperation agreement costs, (4) state opioid assessment related to prior fiscal years, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net, (8) litigation (recoveries)/charges, net, (9) loss on early extinguishment of debt and (10) (gain)/loss on sale of equity interest in naviHealth.

**Non-GAAP net earnings attributable to Cardinal Health, Inc.:** net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) shareholder cooperation agreement costs, (4) state opioid assessment related to prior fiscal years, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net, (8) litigation (recoveries)/charges, net, (9) loss on early extinguishment of debt and (10) (gain)/loss on sale of equity interest in naviHealth, each net of tax.

**Non-GAAP effective tax rate:** provision for/(benefit from) income taxes adjusted for the tax impacts of (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) shareholder cooperation agreement costs, (4) state opioid assessment related to prior fiscal years, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net, (8) litigation (recoveries)/charges, net, (9) loss on early extinguishment of debt and (10) (gain)/loss on sale of equity interest in naviHealth divided by (earnings before income taxes adjusted for the ten items above).

**Non-GAAP diluted earnings per share attributable to Cardinal Health, Inc.:** non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

**Non-GAAP adjusted free cash flow:** net cash provided by operating activities less payments related to additions to property and equipment, excluding settlement payments and receipts related to matters included in litigation (recoveries)/charges, net, as defined above, or other significant and unusual or non-recurring cash payments or receipts. For example, the U.S. federal income tax refund of \$966 million for the tax benefit from the net operating loss carryback related to a self-insurance pre-tax loss was excluded from the Company's fiscal 2022 non-GAAP adjusted free cash flow.