



Q2 FY23

**Cardinal Health, Inc.
Earnings Call**

February 2, 2023

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 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, possible unfavorable changes in the U.S. statutory tax rate or additional changes to our long-term financial plan; 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 or other components of our generics programs; 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 presentation reflects management's views as of February 2, 2023. 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.

Q2 results

Q2 FY23 financial summary

| | GAAP Basis (\$M) Q2 FY23 | Non-GAAP Basis (\$M) Q2 FY23 |
|--|-----------------------------|---------------------------------|
| Revenue % change | \$51,469 13% | N/A |
| Gross Margin % change | \$1,663 3% | \$1,663 3% |
| SG&A % change | \$1,191 3% | \$1,196 4% |
| Operating Earnings/(Loss)¹ % change | \$(119) (87)% | \$467 --% |
| Interest and Other² % change | \$18 25% | N/A |
| Net Earnings/(Loss)^{3,4} % change | \$(130) N.M. | \$346 (3)% |
| Diluted EPS^{3,4} % change | \$(0.50) N.M. | \$1.32 4% |

¹GAAP Operating Loss due to a non-cash, pre-tax impairment charge of \$709 million related to the Medical segment

²The sum of "other (income)/expense, net" and "interest expense, net"

³GAAP Net Earnings and GAAP Diluted EPS reflect the tax effect of the goodwill impairment charge being included in the company's estimated annual GAAP effective tax rate

⁴Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.

Q2 FY23 Pharmaceutical segment results

| | Q2 FY23 (\$M) | Q2 FY22 (\$M) | YoY change |
|-----------------------|---------------|---------------|------------|
| Revenue | \$47,673 | \$41,375 | 15% |
| Segment profit | \$464 | \$426 | 9% |
| Segment profit margin | 0.97% | 1.03% | -6 bps |

Drivers:

Revenue

- + Brand and specialty pharmaceutical sales growth from existing and net new customers

Segment profit

- + Brand and specialty products
- + Generics program
- Inflationary supply chain costs

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

Q2 FY23 Medical segment results

| | Q2 FY23 (\$M) | Q2 FY22 (\$M) | YoY change |
|-----------------------|---------------|---------------|------------|
| Revenue | \$3,797 | \$4,085 | -7% |
| Segment profit | \$17 | \$50 | -66% |
| Segment profit margin | 0.45% | 1.22% | -77 bps |

Drivers:

Revenue

- Products and distribution sales: including PPE pricing and volumes
- + at-Home Solutions

Segment profit

- Lower products and distribution volumes
- Inflationary impacts, net of mitigation initiatives
- + Improvement in PPE margins

FY23 outlook

FY23 financial expectations

| | FY23 outlook | FY22 actual |
|---|---|-------------|
| Non-GAAP EPS | \$5.20 - \$5.50 <i>Previously \$5.05 - \$5.40</i> | \$5.06 |
| Interest and Other | \$115M - \$130M <i>Previously \$140M - \$160M</i> | \$165M |
| Non-GAAP ETR | 23.0% - 24.0% | 22.1% |
| Diluted weighted average shares outstanding | 262M - 264M | 280M |
| Share repurchases | \$1.5B - \$2.0B | \$1.0B |
| Capital expenditures | ~\$500M | \$387M |
| Adjusted free cash flow | \$1.5B - \$2.0B | \$2.3B |

Bold indicates an update to the FY23 outlook provided on November 4, 2022.

The company does not provide forward-looking expectations 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" in the financial appendix at the end of this presentation for additional explanation.

FY23 segment outlook

| Segment | Revenue | Segment Profit |
|----------------|---|---|
| Pharmaceutical | 13% to 15% growth <i>Previously 10% to 14% growth</i> | 4% to 6.5% growth <i>Previously 2% to 5% growth</i> |
| Medical | 3% to 6% decline | Flat to 20% decline |

Bold indicates an update to the FY23 outlook provided on November 4, 2022.

Medical Improvement Plan

Targeting at least \$650M in Medical segment profit by FY25

Foundational: returning to a normalized environment

| Area of focus | FY22–25 Total | Measurable Proof Point |
|--|----------------|--|
| 1. Mitigate Inflation and Global Supply Chain Constraints | ~\$300M | Fully offset with mitigation initiatives by FY25 <ul style="list-style-type: none"> Exit FY23 offsetting at least 50% of gross impact Exit FY24 offsetting 100% of gross impact |

Growth initiatives: generating ~\$185M+ of segment profit growth by FY25

| Area of focus | FY22–25 Total | Measurable Proof Point |
|---|---------------|--|
| 2. Optimize and Grow Cardinal Health Brand Portfolio | \$75M+ | Grow Cardinal Health Brand revenue¹ at 3%+ CAGR. Each percentage point = ~\$25M in incremental segment profit over 3 years <ul style="list-style-type: none"> New product innovation and investments in capacity In-channel and out-of-channel growth |
| 3. Accelerate Growth Businesses, Primarily at-Home Solutions | \$60M+ | Total segment profit growth by FY25 <ul style="list-style-type: none"> Core growth New technology offerings |
| 4. Drive Simplification and Continued Cost Optimization | \$50M+ | Net cost savings² <ul style="list-style-type: none"> Value improvement projects Sourcing, transportation, and manufacturing strategies |

¹Excludes PPE products and impacts from incremental inflation, global supply chain constraints, and certain portfolio optimization product category exits, on constant-currency basis

²Gross Medical segment cost savings, net of operational cost increases

FY23 strategic priorities

1

Execute Medical Improvement Plan initiatives

- **Mitigate inflation** and global supply chain constraints
- Optimize and grow **Cardinal Health Brand** portfolio
- Accelerate growth businesses, primarily **at-Home Solutions**
- Drive **simplification** and continued cost optimization

2

Build upon growth and resiliency of Pharmaceutical Segment

- Prioritize **customer experience**, reduce complexity, and drive productivity
- Continue to effectively manage our **Generics Program**
- Accelerate growth areas, primarily **Specialty**
- **Support pharmaceutical manufacturers** with end-to-end capabilities

3

Relentless focus on shareholder value

- Maximize sustainable, **profitable growth** and **cash flow generation**, as well as **return of capital to shareholders**
- New Business Review Committee reviews **strategy, portfolio, capital-allocation framework** and **operations** and company to hold **Investor Day** in June 2023

Long-term targets

Taking action to drive sustainable growth

Pharma

Low-single digit to mid-single digit segment profit growth



1. **Strengthening our core** Pharmaceutical Distribution business
2. Fueling our growth businesses: primarily **Specialty**

Medical

At least \$650 million in segment profit by FY25



1. **Mitigating** supply chain inflation
2. Optimizing and growing our **Cardinal Health Brand** portfolio
3. Accelerating our growth businesses: primarily **at-Home Solutions**
4. Driving **simplification** and optimizing cost



Capital Allocation

Balanced, disciplined and shareholder-friendly capital deployment

1. Moderating debt paydown = **greater flexibility** for shareholder return
2. Commitment to **dividend**
3. Remaining **\$1.5B share repurchase authorization**¹



Double-digit combined Non-GAAP EPS growth and dividend yield on average

¹As of February 2nd 2023, \$1.5B of original \$3.0B share repurchase authorization remaining, expiring December 31, 2024

Relentless focus on shareholder value

Enterprise-wide efforts aimed at maximizing and sustaining value at Cardinal Health

FY23 Value Creation Initiatives to-Date

- ✓ Deployed **\$1.25B for share repurchases** through Q2
- ✓ Appointed four **new independent Board members**
- ✓ Formed **new Business Review Committee** to assess opportunities to enhance business
- ✓ Executed **simplification actions**, including exit of non-healthcare disposable gloves portfolio and streamlined organizational structure

Active & Ongoing Value Creation Initiatives

- Business Review Committee actively reviewing **strategy, portfolio, capital-allocation framework** and **operations**
- **Mitigating** macro-economic inflationary headwinds
- **Investing** in highest-value projects to **drive organic growth**
- To hold **Investor Day** in June 2023

Relentlessly focused on maximizing value creation for Cardinal Health shareholders



Appendix

Cardinal Health, Inc. and Subsidiaries

GAAP / Non-GAAP Reconciliation¹

| | Gross Margin | | SG&A ² | | Operating Earnings/ | | Earnings/ | | Provision for/ | | Net Earnings ³ | | Effective Tax | | Diluted EPS ³ | | | | | |
|---|--------------|--------|-------------------|------|---------------------|--------|-----------|----------------|----------------|-----------------------|---------------------------|--------------------|--------------------|--------|--------------------------|-------|--------|----|--------|--------|
| | Gross | Growth | Growth | Rate | Earnings/ | Growth | (Loss) | (Benefit from) | Net | Earnings ³ | Effective | Diluted | Diluted | Growth | Rate | Rate | | | | |
| | Margin | Rate | Rate | Rate | (Loss) | Rate | Income | Income | Earnings/ | Growth | Tax | EPS ^{3,4} | EPS ^{3,4} | Rate | Rate | Rate | | | | |
| <i>(in millions, except per common share amounts)</i> | | | | | | | | | | | | | | | | | | | | |
| Second Quarter 2023 | | | | | | | | | | | | | | | | | | | | |
| GAAP | \$ | 1,663 | 3% | \$ | 1,191 | 3% | \$ | (119) | (87)% | \$ | (137) | \$ | (7) | \$ | (130) | N.M. | 5.4% | \$ | (0.50) | N.M. |
| State opioid assessment related to prior fiscal years | - | - | - | - | 6 | - | - | (6) | - | - | (6) | - | (2) | - | (4) | - | - | - | - | (0.02) |
| Shareholder cooperation agreement costs | - | - | - | - | (2) | - | - | 2 | - | - | 2 | - | 1 | - | 1 | - | - | - | - | 0.01 |
| Restructuring and employee severance | - | - | - | - | - | - | - | 17 | - | - | 17 | - | 4 | - | 13 | - | - | - | - | 0.05 |
| Amortization and other acquisition-related costs | - | - | - | - | - | - | - | 71 | - | - | 71 | - | 18 | - | 53 | - | - | - | - | 0.20 |
| Impairments and (gain)/loss on disposal of assets, net ⁵ | - | - | - | - | - | - | - | 710 | - | - | 710 | - | 173 | - | 537 | - | - | - | - | 2.06 |
| Litigation (recoveries)/charges, net | - | - | - | - | - | - | - | (207) | - | - | (207) | - | (83) | - | (124) | - | - | - | - | (0.48) |
| Non-GAAP | \$ | 1,663 | 3% | \$ | 1,196 | 4% | \$ | 467 | -% | \$ | 450 | \$ | 104 | \$ | 346 | (3)% | 23.0% | \$ | 1.32 | 4% |
| Second Quarter 2022 | | | | | | | | | | | | | | | | | | | | |
| GAAP | \$ | 1,616 | (9)% | \$ | 1,151 | -% | \$ | (950) | N.M. | \$ | (973) | \$ | (1,022) | \$ | 49 | N.M. | 105.0% | \$ | 0.17 | N.M. |
| Surgical gown recall costs/(income) | 1 | - | - | - | - | - | - | 1 | - | - | 1 | - | - | - | 1 | - | - | - | - | - |
| Restructuring and employee severance | - | - | - | - | - | - | - | 7 | - | - | 7 | - | 2 | - | 5 | - | - | - | - | 0.02 |
| Amortization and other acquisition-related costs | - | - | - | - | - | - | - | 79 | - | - | 79 | - | 20 | - | 59 | - | - | - | - | 0.21 |
| Impairments and (gain)/loss on disposal of assets, net ⁵ | - | - | - | - | - | - | - | 1,295 | - | - | 1,295 | - | 1,080 | - | 215 | - | - | - | - | 0.77 |
| Litigation (recoveries)/ charges, net ⁶ | - | - | - | - | - | - | - | 34 | - | - | 34 | - | 6 | - | 28 | - | - | - | - | 0.10 |
| (Gain)/Loss on sale of equity interest in naviHealth | - | - | - | - | - | - | - | - | - | - | (1) | - | - | - | (1) | - | - | - | - | - |
| Non-GAAP | \$ | 1,617 | (9)% | \$ | 1,151 | -% | \$ | 467 | (26)% | \$ | 443 | \$ | 86 | \$ | 357 | (31)% | 19.4% | \$ | 1.27 | (27)% |

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

² Distribution, selling, general and administrative expenses.

³ Attributable to Cardinal Health, Inc.

⁴ For the three months ended December 31, 2022, GAAP diluted EPS and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 261 million common shares, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the periods. For the three months ended December 31, 2022, non-GAAP diluted EPS is calculated using a weighted average of 263 million common shares, which includes potentially dilutive shares.

⁵ Impairments and (gain)/loss on disposal of assets, net included pre-tax impairment charges related to the Medical segment of \$709 million during the three months ended December 31, 2022. For fiscal 2023, the estimated net tax benefit related to the impairments is \$68 million and is included in the annual effective tax rate. As a result, the amount of tax benefit increased approximately by an incremental \$118 million for the three months ended December 31, 2022, and is expected to increase the provision for income taxes during the remainder of the fiscal year. During the three months ended December 31, 2021, impairments and (gain)/loss on disposal of assets, net included a pre-tax impairment charge of \$1.3 billion related to the Medical segment.

⁶ Litigation (recoveries)/charges, net for the three months ended December 31, 2021 does not include a \$16 million judgement for lost profits related to an ordinary course intellectual property claim, which positively impacted Pharmaceutical segment profit in the quarter.

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 Reconciliation¹

| | Gross Margin | Growth Rate | SG&A ² | Growth Rate | Operating Earnings/ (Loss) | Growth Rate | Earnings/ (Loss) Before Income Taxes | Provision for/ (Benefit from) Income Taxes | Net Earnings/ (Loss) ³ | Net Earnings ³ Growth Rate | Effective Tax Rate | Diluted EPS ^{3,4} | Diluted Growth Rate |
|---|--------------|-------------|-------------------|-------------|----------------------------|-------------|--------------------------------------|--|-----------------------------------|---------------------------------------|--------------------|----------------------------|---------------------|
| <i>(in millions, except per common share amounts)</i> | | | | | | | | | | | | | |
| Fiscal Year 2022 | | | | | | | | | | | | | |
| GAAP | \$ 6,545 | (3)% | \$ 4,557 | 1% | \$ (596) | N.M. | \$ (769) | \$ 163 | \$ (933) | N.M. | (21.2)% | \$ (3.35) | N.M. |
| Surgical gown recall costs/(income) | 1 | | - | | 1 | | 1 | - | 1 | | | - | |
| Restructuring and employee severance | - | | - | | 101 | | 101 | 26 | 75 | | | 0.27 | |
| Amortization and other acquisition-related costs | - | | - | | 324 | | 324 | 84 | 240 | | | 0.87 | |
| Impairments and (gain)/loss on disposal of assets, net ⁵ | - | | - | | 2,050 | | 2,050 | 107 | 1,943 | | | 6.93 | |
| Litigation (recoveries)/charges, net ^{6,7} | - | | - | | 109 | | 109 | 21 | 88 | | | 0.31 | |
| Loss on early extinguishment of debt | - | | - | | - | | 10 | 3 | 7 | | | 0.03 | |
| (Gain)/Loss on sale of equity interest in navHealth | - | | - | | - | | (2) | - | (2) | | | - | |
| Non-GAAP | \$ 6,547 | (3)% | \$ 4,557 | 1% | \$ 1,990 | (12)% | \$ 1,824 | \$ 404 | \$ 1,419 | (13)% | 22.1% | \$ 5.06 | (9)% |

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

² Distribution, selling, general and administrative expenses.

³ Attributable to Cardinal Health, Inc.

⁴ For fiscal 2022, GAAP diluted loss per share attributable to Cardinal Health, Inc. ("GAAP diluted EPS") and the EPS impact from the GAAP to non-GAAP per share reconciling items is calculated using a weighted average of 279 million common shares, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the period. For fiscal 2022, non-GAAP diluted EPS is calculated using a weighted average of 280 million common shares, which includes potentially dilutive shares.

⁵ Impairments and (gain)/loss on disposals of assets, net includes pre-tax goodwill impairment charges of \$2.1 billion related to our Medical segment recorded in fiscal 2022. For fiscal 2022, the net tax benefit related to these impairments is \$150 million and is included in the annual effective tax rate.

⁶ Litigation (recoveries)/charges, net for fiscal 2022 does not include a \$16 million judgement for lost profits related to an ordinary course intellectual property claim, which positively impacted Pharmaceutical segment profit.

⁷ Litigation (recoveries)/charges, net includes a one-time contingent attorneys' fee of \$18 million recorded during fiscal 2022 related to the finalization of 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)/charges, net.

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

| | Second Quarter | | Year-to-Date | |
|---|----------------|------------|--------------|----------------|
| | 2023 | | 2023 | |
| <u>(in millions)</u> | | | | |
| GAAP - Cash Flow Categories | | | | |
| Net cash provided by operating activities | \$ | 597 | \$ | 620 |
| Net cash used in investing activities | | (87) | | (157) |
| Net cash used in financing activities | | (362) | | (1,525) |
| Effect of exchange rates changes on cash and equivalents | | 14 | | (1) |
| Net increase/(decrease) in cash and equivalents | \$ | 162 | \$ | (1,063) |
| Non-GAAP Adjusted Free Cash Flow | | | | |
| Net cash provided by operating activities | \$ | 597 | \$ | 620 |
| Additions to property and equipment | | (85) | | (155) |
| Payments/(receipts) related to matters included in litigation (recoveries)/charges, net | | (73) | | 316 |
| Non-GAAP Adjusted Free Cash Flow | \$ | 439 | \$ | 781 |

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



Cardinal Health, Inc. and Subsidiaries

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

| | Fiscal Year | |
|--|-------------|--------------|
| | 2022 | |
| <u>(in millions)</u> | | |
| GAAP - Cash Flow Categories | | |
| Net cash provided by operating activities | \$ | 3,122 |
| Net cash provided by investing activities | | 567 |
| Net cash provided by financing activities | | (2,463) |
| Effect of exchange rates changes on cash and equivalents | | (25) |
| Cash reclassified from assets held for sale | | 109 |
| Net increase in cash and equivalents | \$ | 1,310 |
| | | |
| Non-GAAP Adjusted Free Cash Flow | | |
| Net cash provided by operating activities | \$ | 3,122 |
| Additions to property and equipment | | (387) |
| Payments related to matters included in litigation (recoveries)/charges, net | | 511 |
| Other significant and unusual or non-recurring items | | |
| U.S. federal tax refund from net operating loss carryback | | (966) |
| Non-GAAP Adjusted Free Cash Flow | \$ | 2,280 |

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



Cardinal Health, Inc. and Subsidiaries

Segment Information

Second Quarter

| (in millions) | 2023 | | 2022 | | (in millions) | 2023 | | 2022 | |
|--------------------------------------|------|--------|------|--------|-----------------------|------|--------|------|--------|
| Pharmaceutical | | | | | Medical | | | | |
| Revenue | | | | | Revenue | | | | |
| Amount | \$ | 47,673 | \$ | 41,375 | Amount | \$ | 3,797 | \$ | 4,085 |
| Growth rate | | 15 % | | 11 % | Growth rate | | (7)% | | (5)% |
| Segment profit ⁽¹⁾ | | | | | Segment profit | | | | |
| Amount | \$ | 464 | \$ | 426 | Amount | \$ | 17 | \$ | 50 |
| Growth rate | | 9 % | | 3 % | Growth rate | | (66)% | | (79)% |
| Segment profit margin | | 0.97 % | | 1.03 % | Segment profit margin | | 0.45 % | | 1.22 % |

Year-to-Date

| (in millions) | 2023 | | 2022 | | (in millions) | 2023 | | 2022 | |
|--------------------------------------|------|--------|------|--------|-----------------------|------|--------|------|--------|
| Pharmaceutical | | | | | Medical | | | | |
| Revenue | | | | | Revenue | | | | |
| Amount | \$ | 93,501 | \$ | 81,197 | Amount | \$ | 7,575 | \$ | 8,234 |
| Growth rate | | 15 % | | 12 % | Growth rate | | (8)% | | - % |
| Segment profit ⁽¹⁾ | | | | | Segment profit | | | | |
| Amount | \$ | 895 | \$ | 832 | Amount | \$ | 9 | \$ | 173 |
| Growth rate | | 8 % | | 2 % | Growth rate | | (95)% | | (63)% |
| Segment profit margin | | 0.96 % | | 1.02 % | Segment profit margin | | 0.12 % | | 2.10 % |

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

⁽¹⁾ Pharmaceutical segment profit during the three and six months ended December 31, 2021 was positively impacted by a \$16 million judgment for lost profits related to an ordinary course intellectual property rights claim.



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 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.



Cardinal Health, Inc. and Subsidiaries

Definitions

Growth rate calculation: growth rates 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), state opioid assessment related to prior fiscal years and shareholder cooperation agreement costs.

Non-GAAP operating earnings: operating earnings excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) shareholder cooperation agreement costs, (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) state opioid assessment related to prior fiscal years, (4) shareholder cooperation agreement costs, (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) state opioid assessment related to prior fiscal years, (4) shareholder cooperation agreement costs, (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) state opioid assessment related to prior fiscal years, (4) shareholder cooperation agreement costs, (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.



Cardinal Health, Inc. and Subsidiaries

Definitions continued

¹ 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.

² 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.

³ 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 due to changes in estimates or when the underlying assessments were invalidated by a Court or reimbursed by manufacturers.

⁴ 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.

⁵ Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business.

⁶ 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.

⁷ 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.

Cardinal Health, Inc. and Subsidiaries

Definitions continued

⁸ 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.

⁹ 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.

¹⁰ (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.