



Q3 FY25 Earnings

Cardinal Health, Inc.

May 1, 2025

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 the risk that we may fail to achieve our strategic objectives, including the continued execution of the GMPD Improvement Plan initiatives, whether as a result of tariffs on products we source or manufacture, an uncertain global economic environment, Cardinal Health Brand sales or ongoing inflationary pressures; competitive pressures in Cardinal Health's various lines of business, including the risk that customers may reduce purchases made under their contracts with us or terminate or not renew their contracts, whether due to price increases or otherwise; our ability to manage uncertainties associated with the pricing of branded pharmaceuticals, including as a result of legislative or executive actions; risks associated with litigation matters, including a Department of Justice investigation focused on potential violations of the Anti-Kickback Statute and False Claims Act; the risk that events outside of our control, such as weather or geopolitical events, may impact demand for our products or may cause supply shortages that impact our cost and ability to fulfill customer demand; 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; risks associated with recently completed and pending acquisitions, including risks arising as a result from our entry into new lines of businesses. Cardinal Health is subject to additional risks and uncertainties described in Cardinal Health's Form 10-K, Form 10-Q and Form 8K reports and exhibits to those reports. This presentation reflects management's views as of May 1, 2025. 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





Q3 Results

Q3 FY25 financial summary

	GAAP Basis (\$M) Q3 FY25	Non-GAAP Basis (\$M) Q3 FY25
Revenue <i>% change</i>	\$54,878 0%	N/A
Gross Margin <i>% change</i>	\$2,123 10%	\$2,122 10%
SG&A <i>% change</i>	\$1,315 4%	\$1,315 4%
Operating Earnings <i>% change</i>	\$730 98%	\$807 21%
Interest and Other¹ <i>% change</i>	\$65 N.M.	N/A
Net Earnings² <i>% change</i>	\$506 94%	\$568 11%
Diluted EPS² <i>% change</i>	\$2.10 96%	\$2.35 13%

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

²Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.



Pharmaceutical and Specialty Solutions

Q3 FY25 results

	Q3 FY25 (\$M)	Q3 FY24 (\$M)	YoY change
Revenue	\$50,433	\$50,622	(0)%
Segment profit	\$662	\$582	14%
Segment profit margin	1.31%	1.15%	16 bps

Drivers:

Revenue

- Previously communicated customer contract expiration
- + Brand and specialty pharmaceutical sales growth from existing and new customers

Segment profit

- + Brand and specialty products
- + MSO platforms, including GI Alliance
- + BioPharma Solutions, including Specialty Networks
- + Generics program
- Customer contract expiration

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



Global Medical Products and Distribution

Q3 FY25 results

	Q3 FY25 (\$M)	Q3 FY24 (\$M)	YoY change
Revenue	\$3,160	\$3,113	2%
Segment profit	\$39	\$22	77%
Segment profit margin	1.23%	0.71%	52 bps

Drivers:

Revenue

- + Volume growth from existing customers

Segment profit

- + Cost optimization initiatives

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



Other: NPHS, at-Home Solutions and OptiFreight

Q3 FY25 results

	Q3 FY25 (\$M)	Q3 FY24 (\$M)	YoY change
Revenue	\$1,304	\$1,154	13%
Segment profit	\$134	\$110	22%
Segment profit margin	10.28%	9.53%	75 bps

Drivers:

Revenue

+ Growth across the three operating segments

Segment profit

+ Growth across the three operating segments

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





Outlook

FY25 financial expectations

	FY25 outlook	FY24 actual
Non-GAAP EPS	\$8.05 - \$8.15 <i>Previously \$7.85 - \$8.00</i>	\$7.53
Interest and Other	\$200M - \$215M <i>Previously \$200M - \$230M</i>	\$42M
Non-GAAP ETR	23.0% - 23.5% <i>Previously 23% - 24%</i>	21.7%
Diluted weighted average shares outstanding	~242M <i>Previously ~243M</i>	247M
Share repurchases	\$750M	\$750M
Capital expenditures	\$500M to \$550M	\$511M
Non-GAAP adjusted free cash flow	~\$1.5B <i>Previously \$1.0B to \$1.5B</i>	\$3.9B

Bold indicates a **change** to the FY25 outlook provided in the Q2 FY25 earnings release on January 30, 2025.

Guidance includes completed Advanced Diabetes Supply Group acquisition.

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.



FY25 segment guidance

Revenue and segment profit

Pharmaceutical and Specialty Solutions

Revenue decline of **1% to 3%**

Segment profit growth of **11.5% to 12.5%**

Previously growth of 10% to 12%

Global Medical Products and Distribution

Revenue growth of **2% to 4%**

Segment profit of **\$130M to \$140M**

Previously growth of \$130M to \$150M

Other

Revenue growth of **17% to 19%**

Segment profit growth of **16% to 18%**

Previously growth of 10% to 12%

Previously growth of ~10%

Bold indicates a **change** to the FY25 outlook provided in the Q2 FY25 earnings release on January 30, 2025.

Guidance includes completed Advanced Diabetes Supply Group acquisition.

Other includes the following three operating segments: Nuclear and Precision Health Solutions (NPHS), at-Home Solutions, and OptiFreight® Logistics, which are not significant enough individually to require reportable segment disclosure.



Strategic priorities

Relentless focus on simplification

1

Build upon the **growth** and **resiliency** of Pharmaceutical and Specialty Solutions by **expanding in Specialty**

2

Accelerate growth in **key areas**

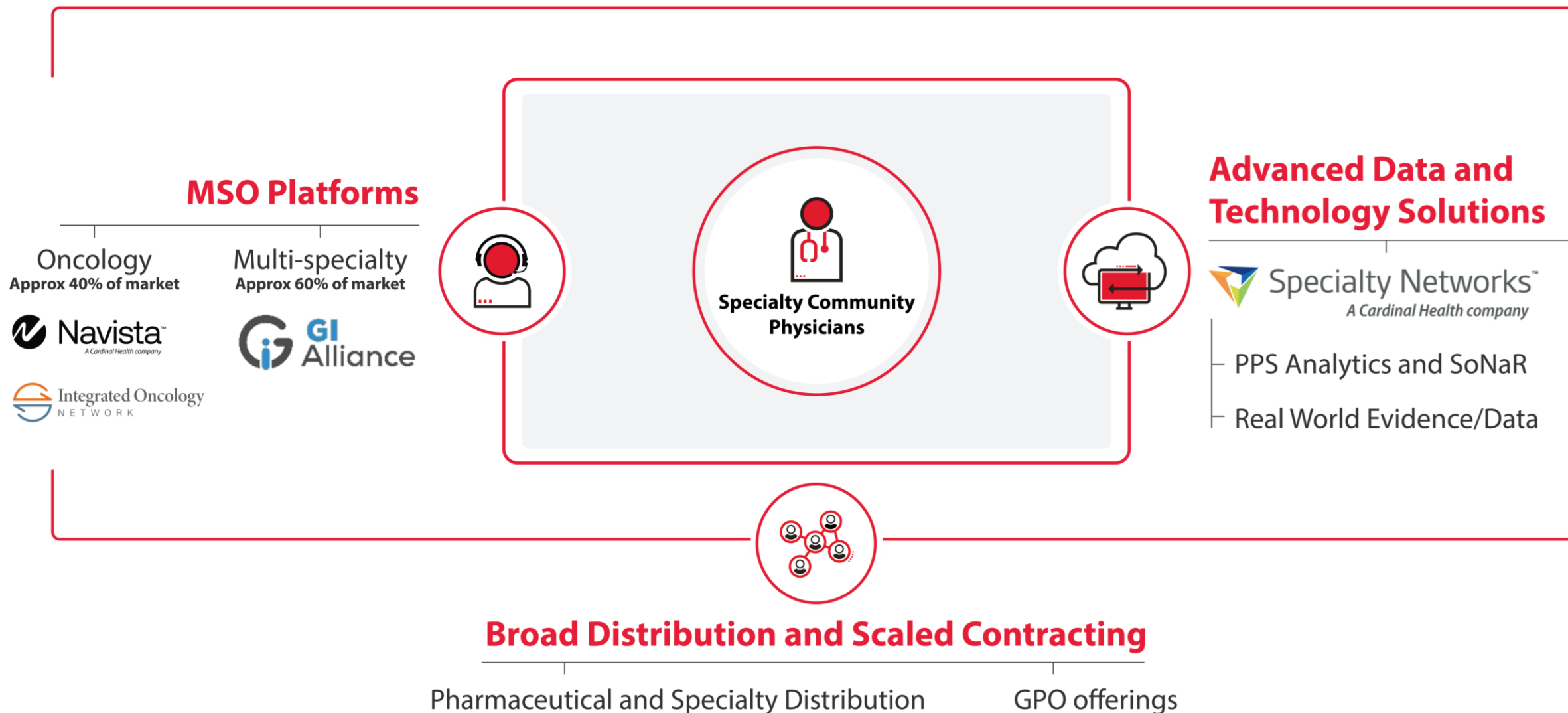
3

Execute **GMPD Improvement Plan** initiatives

and shareholder value creation



Supporting community-based physicians with a comprehensive model



Disciplined Capital Allocation Framework

FY24 – FY26

Table stakes



Investing back into the business to drive organic growth



Maintain investment grade balance sheet



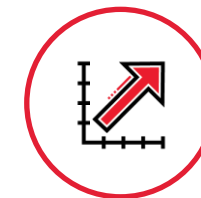
Baseline return of capital to shareholders

- Continue to grow the dividend
- Baseline share repurchases

Opportunistic levers



Active, disciplined and targeted M&A



Additional opportunistic share repurchases

FY25 Progress



\$315M in YTD capex



Completed annual opioid settlement payment
Credit ratings maintained by **all 3 rating agencies** post acquisition announcements



~\$875M in baseline capital returned to shareholders

- **\$500M** FY25 baseline share repurchases ✓
- **~\$375M** in dividend payments



Completed three acquisitions¹:

- **Integrated Oncology Network** ✓
- **GI Alliance** ✓
 - Announced expansion into urology
- **Advanced Diabetes Supply Group** ✓



\$250M of opportunistic share repurchases

¹ION closed December 2, 2024; GIA closed January 30, 2025; ADSG closed April 1, 2025



Compelling investment thesis

Moving healthcare forward



Pharmaceutical and Specialty Solutions

Resilient and growing business, supported by **key trends** and **strong core foundation**

Investing to **further accelerate Specialty growth**

Expecting **4% to 6% segment profit long-term growth CAGR**



at-Home, NPHS & OptiFreight

Favorable **long-term industry trends**

Margin-accretive opportunities

Investing to build upon their **strong growth trajectories**



Medical Products and Distribution

Executing our plan to **improve performance** in Global Medical Products and Distribution

Seeing momentum and expecting significant year-over-year improvement



Cash flow and capital deployment

Continued **robust adjusted free cash flow** generation

Responsible capital deployment includes **disciplined and strategic M&A** and **significant return of capital** to shareholders



Value creation

Relentlessly focused on **maximizing shareholder value**

Continue to take actions to drive **additional value creation**



Defensive growth: Resilient business models and **double-digit non-GAAP EPS** growth opportunity



Appendix

Cardinal Health, Inc. and Subsidiaries

GAAP / Non-GAAP Reconciliation¹

	Gross Margin		SG&A ²		Operating Earnings		Earnings Before Taxes		Provision for Income Taxes		Net Earnings Attributable to Non-controlling Interests		Net Earnings ³		Effective Tax Rate		Diluted EPS ³					
	Gross Margin	Growth Rate	SG&A ²	Growth Rate	Operating Earnings	Growth Rate	Income Taxes	Income Taxes	Income Taxes	Income Taxes	Net Earnings ³	Net Earnings ³	Growth Rate	Tax Rate	Diluted EPS ³	Growth Rate	Diluted EPS ³	Growth Rate				
(in millions, except per common share amounts)																						
Third Quarter 2025																						
GAAP	\$	2,123	10 %	\$	1,315	4 %	\$	730	98 %	\$	665	\$	157	\$	(2)	\$	506	94 %	23.6 %	\$	2.10	96 %
Restructuring and employee severance	-	-	-	-	28	-	28	7	-	21	-	0.09	-	-	-	-	-	-	-	-	-	-
Amortization and other acquisition-related costs	-	-	-	-	152	-	152	34	(2)	116	-	0.48	-	-	-	-	-	-	-	-	-	-
Acquisition-related cash & share-based compensation costs	-	-	-	-	20	-	20	1	(4)	15	-	0.06	-	-	-	-	-	-	-	-	-	-
Impairments and (gain)/loss on disposal of assets, net	-	-	-	-	(17)	-	(17)	(4)	-	(13)	-	(0.06)	-	-	-	-	-	-	-	-	-	-
Litigation (recoveries)/charges, net	-	-	-	-	(105)	-	(105)	(27)	-	(78)	-	(0.32)	-	-	-	-	-	-	-	-	-	-
Non-GAAP	\$	2,122	10 %	\$	1,315	4 %	\$	807	21 %	\$	741	\$	166	\$	(7)	\$	568	11 %	22.4 %	\$	2.35	13 %
Third Quarter 2024																						
GAAP	\$	1,935	7 %	\$	1,269	8 %	\$	369	(39)%	\$	342	\$	80	\$	(1)	\$	261	(28)%	23.3 %	\$	1.07	(24)%
Shareholder cooperation agreement costs	-	-	-	(1)	1	-	1	-	-	1	-	-	-	-	-	-	1	-	-	-	-	-
Restructuring and employee severance	-	-	-	-	53	-	53	14	-	39	-	0.16	-	-	-	-	-	-	-	-	-	-
Amortization and other acquisition-related costs	-	-	-	-	80	-	80	21	-	59	-	0.24	-	-	-	-	-	-	-	-	-	-
Impairments and (gain)/loss on disposal of assets, net	-	-	-	-	84	-	84	(21)	-	105	-	0.44	-	-	-	-	-	-	-	-	-	-
Litigation (recoveries)/charges, net	-	-	-	-	80	-	80	34	-	46	-	0.18	-	-	-	-	-	-	-	-	-	-
Non-GAAP	\$	1,935	7 %	\$	1,269	8 %	\$	667	5 %	\$	640	\$	128	\$	(1)	\$	511	8 %	19.9 %	\$	2.09	14 %

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 March 31, 2024, impairments and (gain)/loss on disposal of assets, net includes a pre-tax goodwill impairment charge of \$90 million related to the GMPD segment. For fiscal 2024, the estimated net tax benefit related to the impairment was included in the annual effective tax rate. As a result, the amount of tax expense recognized increased approximately by an incremental \$30 million during the three months ended March 31, 2024.

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	Gross Growth Rate	SG&A ²	SG&A ² Growth Rate	Operating Earnings	Operating Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings ³	Net Earnings ³ Growth Rate	Effective Tax Rate	Diluted EPS ³	Diluted EPS ³ Growth Rate
<i>(in millions, except per common share amounts)</i>													
	Fiscal Year 2024												
GAAP	\$ 7,414	8 %	\$ 5,000	4 %	\$ 1,243	65 %	\$ 1,201	\$ 348	\$ 852	N.M.	28.9 %	\$ 3.45	N.M.
Shareholder cooperation agreement costs	-		(1)		1		1	-	1			-	
Restructuring and employee severance	-		-		175		175	41	134			0.54	
Amortization and other acquisition-related costs	-		-		284		284	74	210			0.85	
Impairments and (gain)/loss on disposal of assets, net ⁴	-		-		634		634	47	587			2.38	
Litigation (recoveries)/charges, net	-		-		78		78	5	73			0.30	
Non-GAAP	\$ 7,414	8 %	\$ 5,000	4 %	\$ 2,414	16 %	\$ 2,372	\$ 515	\$ 1,856	21 %	21.7 %	\$ 7.53	29 %

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 2024, impairments and (gain)/loss on disposals of assets, net includes pre-tax goodwill impairment charges of \$675 million related to the GMPD segment. The net tax benefit related to these charges was \$58 million and were included in the annual effective tax rate.

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

(in millions)	Third Quarter		Year-to-Date	
	2025	2024	2025	2024
GAAP - Cash Flow Categories				
Net cash provided by/(used in) operating activities	\$ 2,917	\$ (27)	\$ 870	\$ 1,680
Net cash used in investing activities	(2,898)	(1,847)	(3,962)	(2,015)
Net cash provided by/(used in) financing activities	(507)	1,031	1,284	12
Effect of exchange rates changes on cash and equivalents	4	(8)	1	(7)
Net decrease in cash and equivalents	\$ (484)	\$ (851)	\$ (1,807)	\$ (330)
Non-GAAP Adjusted Free Cash Flow				
Net cash provided by/(used in) operating activities	\$ 2,917	\$ (27)	\$ 870	\$ 1,680
Additions to property and equipment	(126)	(112)	(315)	(318)
Payments related to matters included in litigation (recoveries)/charges, net	1	246	622	761
Non-GAAP Adjusted Free Cash Flow	\$ 2,792	\$ 107	\$ 1,177	\$ 2,123

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



Cardinal Health, Inc. and Subsidiaries
Segment Information

Third Quarter						
(in millions)	Pharmaceutical and Specialty Solutions		Global Medical Products and Distribution		Other	
	2025	2024	2025	2024	2025	2024
Revenue						
Amount	\$ 50,433	\$ 50,622	\$3,160	\$3,113	\$1,304	\$1,154
Growth rate	- %	9 %	2 %	3 %	13 %	14 %
Segment profit						
Amount	\$ 662	\$ 582	\$ 39	\$ 22	\$ 134	\$ 110
Growth rate	14 %	- %	77 %	N.M.	22 %	9 %
Segment profit margin	1.31%	1.15 %	1.23%	0.71 %	10.28%	9.53 %

Year-to-Date						
(in millions)	Pharmaceutical and Specialty Solutions		Global Medical Products and Distribution		Other	
	2025	2024	2025	2024	2025	2024
Revenue						
Amount	\$149,272	\$154,412	\$9,437	\$9,272	\$3,773	\$3,340
Growth rate	(3)%	11 %	2 %	1 %	13 %	11 %
Segment profit						
Amount	\$ 1,723	\$ 1,533	\$ 65	\$ 45	\$ 356	\$ 312
Growth rate	12 %	7 %	44 %	N.M.	14 %	5 %
Segment profit margin	1.15%	0.99 %	0.69%	0.49 %	9.44%	9.34 %

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



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 2025 GAAP results. Over the past five fiscal years, the excluded items have impacted the Company's EPS from \$3.49 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 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).

Non-GAAP distribution, selling, general and administrative expenses or Non-GAAP SG&A: distribution, selling, general and administrative expenses, excluding 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) state opioid assessment related to prior fiscal years, (3) shareholder cooperation agreement costs, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) acquisition-related cash and share-based compensation 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) state opioid assessment related to prior fiscal years, (3) shareholder cooperation agreement costs, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) acquisition-related cash and share-based compensation costs, (7) impairments and (gain)/loss on disposal of assets, net, (8) litigation (recoveries)/charges, net and (9) loss on early extinguishment of debt.

Non-GAAP net earnings attributable to non-controlling interests: net earnings attributable to non-controlling interests excluding (1) LIFO charges/(credits), (2) state opioid assessment related to prior fiscal years, (3) shareholder cooperation agreement costs, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) acquisition-related cash and share-based compensation costs, (7) impairments and (gain)/loss on disposal of assets, net, (8) litigation (recoveries)/charges, net and (9) loss on early extinguishment of debt, each net of tax.

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

Non-GAAP effective tax rate: provision for income taxes adjusted for the tax impacts of (1) LIFO charges/(credits), (2) state opioid assessment related to prior fiscal years, (3) shareholder cooperation agreement costs, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) acquisition-related cash and share-based compensation costs, (7) impairments and (gain)/loss on disposal of assets, net, (8) litigation (recoveries)/charges, net and (9) loss on early extinguishment of debt divided by (earnings before income taxes adjusted for the 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/(used in) 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.



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 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.

³ 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. These include costs incurred to negotiate and finalize the Cooperation Agreement and costs incurred by the Business Review Committee of the Board of Directors, formed under this Cooperation Agreement, tasked with undertaking a comprehensive review of our strategy, portfolio, capital allocation framework, and operations. 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. The Cooperation Agreement expired in the second quarter of fiscal 2025.

⁴ Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business and include, but are not limited to, costs related to divestitures, closing and consolidating facilities, changing the way we manufacture or distribute our products, moving manufacturing of a product to another location, changes in production or business process outsourcing or insourcing, employee severance and realigning operations.

⁵ 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 and amortization as a result of basis differences in equity method investments 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.

⁶ Acquisition-related cash and share-based compensation costs are incurred in connection with contingent cash payments or the issuance of share-based payment awards, which include service requirements, as a part of certain physician practice acquisitions. These costs are excluded because they are unrelated to the underlying operating results of our business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results. In addition, the magnitude of these expenses is significantly impacted by the timing and size of the acquisitions of physician practices.

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.

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.

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.

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.

