Q4 FY26 Earnings

Cardinal Health, Inc.

August 11, 2026

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 our ability to manage uncertainties associated with the pricing of branded pharmaceuticals including those arising from proposed or final regulatory changes, the risk that we may fail to achieve our strategic objectives, including the ongoing integration and operation of recently acquired entities and the continued execution of the GMPD Improvement Plan initiatives and; risks and uncertainties related to tariffs, including the risk that we may not be able to offset increased costs; 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; risks associated with litigation matters, including Department of Justice investigations 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, including the recent conflict with Iran, may impact costs for our products or may cause supply delays or shortages or manufacturing delays that impact our cost and ability to fulfill customer demand; and 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. 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 August 11, 2026. 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

Q4 Results

Q4 FY26 financial summary

	GAAP Basis ($M) Q4 FY26	Non-GAAP Basis ($M) Q4 FY26
Revenue	**$63,672**	**N/A**
% change	*6%*	
Gross Margin	**$2,560**	**$2,560**
% change	*16%*	*16%*
SG&A	**$1,625**	**$1,625**
% change	*10%*	*10%*
Operating Earnings	**$729**	**$935**
% change	*70%*	*30%*
Interest and Other[1]	**$53**	**N/A**
% change	*N.M.*	
Net Earnings[2]	**$398**	**$682**
% change	*67%*	*36%*
Diluted EPS[2]	**$1.70**	**$2.91**
% change	*70%*	*40%*

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

[2]Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.

Pharmaceutical and Specialty Solutions

Q4 FY26 results

	Q4 FY26 ($M)	Q4 FY25 ($M)	YoY change
Revenue	$58,848	$55,372	6%
Segment profit	$645	$535	21%
Segment profit margin	1.10%	0.97%	13 bps

Drivers:

Revenue

+ Brand and specialty pharmaceutical sales growth from existing customers

Segment profit

+ Brand and specialty products
+ Generics program

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

Global Medical Products and Distribution

Q4 FY26 results

	Q4 FY26 ($M)	Q4 FY25 ($M)	YoY change
Revenue	$3,128	$3,199	(2%)
Segment profit	$150	$70	N.M.
Segment profit margin	4.80%	2.19%	261 bps

Drivers:

Revenue

- \- Distribution volumes
- \- Recognition of IEEPA tariff refund repayments
- \+ Cardinal Health Brand

Segment profit

- \+ IEEPA tariff refunds

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

Other: NPHS, at-Home Solutions and OptiFreight

Q4 FY26 results

	Q4 FY26 ($M)	Q4 FY25 ($M)	YoY change
Revenue	$1,721	$1,609	7%
Segment profit	$183	$160	14%
Segment profit margin	10.63%	9.94%	69 bps

Drivers:

Revenue

+ Growth across the three operating segments

Segment profit

+ Growth driven by OptiFreight Logistics and at-Home Solutions

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

FY26 Results

FY26 financial summary

	GAAP Basis ($M) FY26	Non-GAAP Basis ($M) FY26
Revenue *% change*	**$254,248** *14%*	**N/A**
Gross Margin *% change*	**$9,774** *20%*	**$9,774** *20%*
SG&A *% change*	**$6,132** *14%*	**$6,150** *14%*
Operating Earnings *% change*	**$2,613** *15%*	**$3,624** *30%*
Interest and Other[1] *% change*	**$317** *N.M.*	**N/A**
Net Earnings[2] *% change*	**$1,714** *10%*	**$2,667** *34%*
Diluted EPS[2] *% change*	**$7.23** *12%*	**$11.26** *37%*

[1]*The sum of "other (income)/expense, net" and "interest expense, net"*
[2]*Attributable to Cardinal Health, Inc.*

Please see appendix for GAAP to Non-GAAP reconciliations.

Pharmaceutical and Specialty Solutions

FY26 results

	FY26 ($M)	FY25($M)	YoY change
Revenue	$234,833	$204,644	15%
Segment profit	$2,783	$2,258	23%
Segment profit margin	1.19%	1.10%	9 bps

Drivers:

Revenue

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

Segment profit

+ Brand and specialty products
+ Generics program
+ MSO platforms

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

Global Medical Products and Distribution

FY26 results

	FY26 ($M)	FY25 ($M)	YoY change
Revenue	$12,719	$12,636	1%
Segment profit	$258	$135	91%
Segment profit margin	2.03%	1.07%	96 bps

Drivers:

Revenue

+ Cardinal Health Brand
- Distribution Volumes
- Recognition of IEEPA tariff refund repayments

Segment profit

+ Growth from existing customers
+ Net impact of IEEPA tariff refund
- Net impact of non-IEEPA tariffs

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

Other: NPHS, at-Home Solutions and OptiFreight

FY26 results

	FY26 ($M)	FY25 ($M)	YoY change
Revenue	$6,792	$5,382	26%
Segment profit	$707	$516	37%
Segment profit margin	10.41%	9.59%	82 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.

FY27 Outlook

FY27 financial expectations

	FY27 outlook	FY26 actual
Non-GAAP EPS	$12.40 - $12.60 (13%-15% growth[1])	$11.26 ($10.95 adjusted for IEEPA tariff refund)
Interest and Other	$240M - $290M	$317M
Non-GAAP ETR	19.0% - 20.0%	19.0%
Diluted weighted average shares outstanding	~233M	237M
Share repurchases	~$1B	$1.4B
Capital expenditures	~$700M	$649M
Non-GAAP adjusted free cash flow	$3.5B - $4.0B	$5.0B

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.

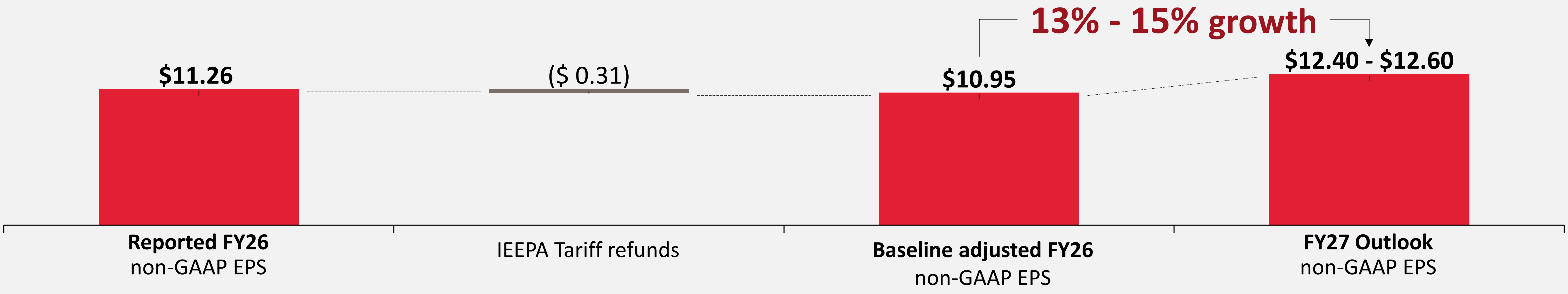
[1]EPS growth rate for FY27 based upon adjusted FY26 EPS of $10.95

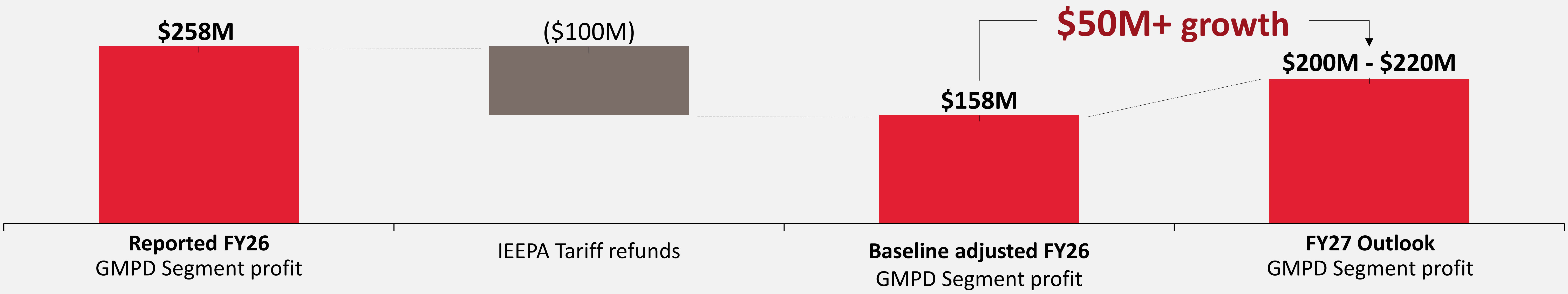
FY27 segment guidance

	Revenue and segment profit	
Pharmaceutical and Specialty Solutions	Revenue growth of 3% to 5%	Segment profit growth of 8% to 11%
Other: at-Home Solutions NPHS, OptiFreight Logistics	Revenue growth of 11% to 13%	Segment profit growth of 15% to 18%
Global Medical Products and Distribution	Revenue growth of 2% to 4%	Segment profit of $200M to $220M

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.

FY27 adjusted EPS and GMPD outlook





Strategic priorities

Relentless focus on simplification

1. Build upon the **growth** and **resiliency** of Pharmaceutical and Specialty Solutions by **expanding in Specialty**
2. Accelerate other **growth businesses**
3. Execute **GMPD Improvement Plan** initiatives

Supporting community-based physicians with a comprehensive model

MSO Platforms

Multi-Specialty
Approx 60% of market
The Specialty Alliance

Oncology
Approx 40% of market
Navista
A Cardinal Health company

Specialty Community Physicians

Advanced Data and Technology Solutions

Specialty Networks
A Cardinal Health company

- PPS Analytics and SoNaR
- Real World Evidence/Data

Broad Distribution and Scaled Contracting

- Pharmaceutical and Specialty Distribution
- GPO offerings
- Nuclear and Precision Health Solutions

Higher-margin growth businesses

	at-Home Solutions	OptiFreight Logistics	Nuclear & Precision Health Solutions
Key trends	Care shifting to **more cost-effective** and **comfortable settings**	Increasing **pressures on providers** to **reduce costs** and leverage technology	Acceleration of **biopharma innovation** and precision medicine
Recent Updates	Tuck-in acquisitions of Strive Medical and Diabetes Health business of AdaptHealth	Launched outbound pharmacy shipping solution	Investments to expand capabilities and capacity in PET and Theranostics

FY26 Results for growth businesses

$6.8B revenue

>$700M profit

10.4% operating margin

Positioned for continued double-digit profit growth

Other includes: Nuclear and Precision Health Solutions | at-Home Solutions | OptiFreight Logistics; Financials represent Other's FY26 results

GMPD showing strong Improvement Plan progress

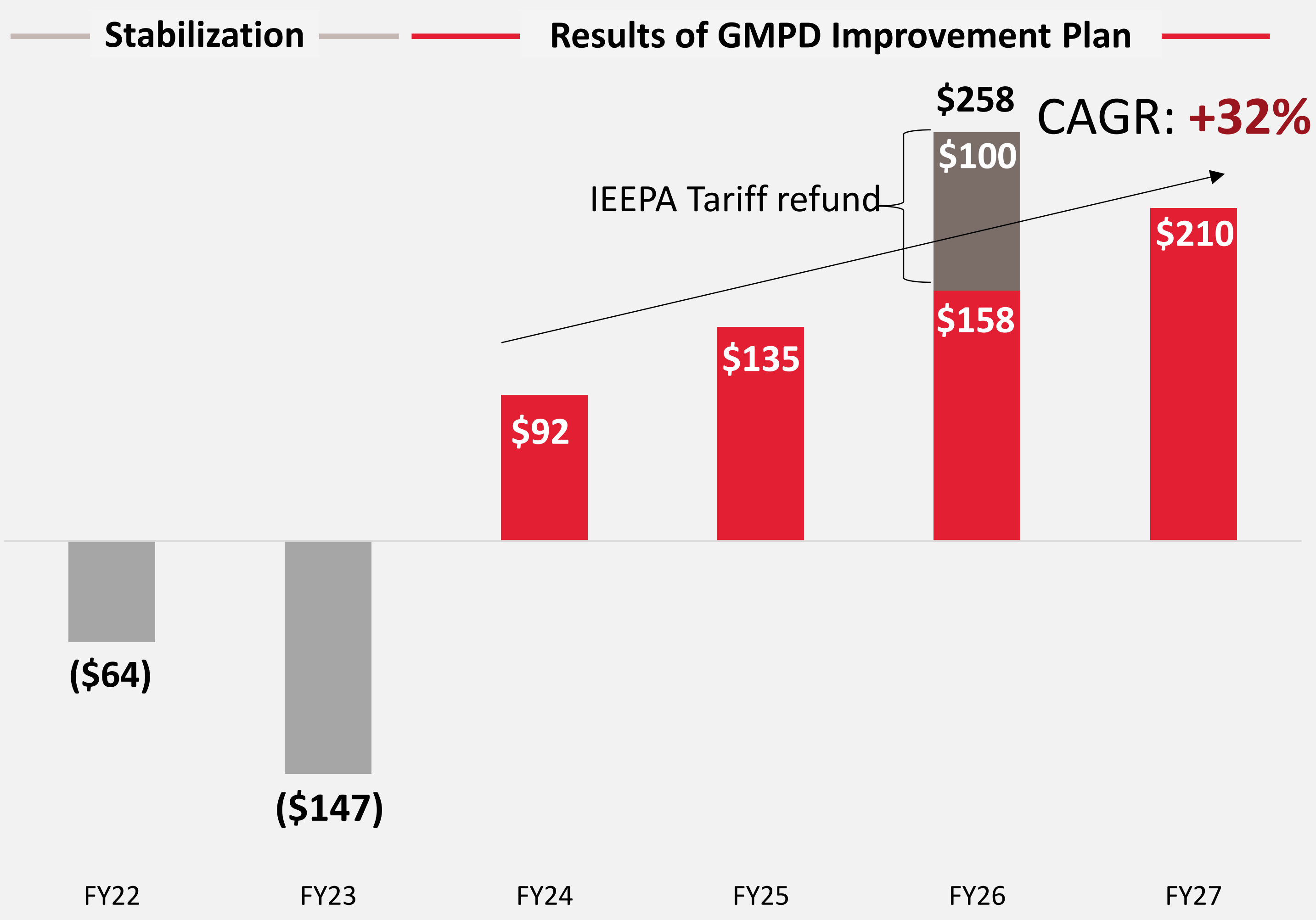
Improvement Plan progress

Cardinal Health™ Brand growth
U.S. CHB revenue[1] growth at least mid single digits for 6 consecutive quarters

Simplification and cost optimizations
Reduced countries with commercial operations; simplified global manufacturing footprint

Supply chain resiliency and tariff mitigation
Implemented operational changes, increased domestic manufacturing, increased prices

GMPD Segment operating profit ($M)



[1]Normalized for IEEPA tariff refunds

Note: 3-year CAGR FY25-FY27 using FY24 baseline

Disciplined Strategic Execution

Automation technology

New DCs
Pharma & Specialty and at-Home Solutions

Nuclear capacity and capabilities

New customer solutions

Supply chain technology

MSO Platform Capabilities

Capital expenditures | ($ in millions)

Compelling investment thesis

Consistent track record

Unique breadth of capabilities

Resilient model

Strong core Pharma

Specialty opportunity

Higher-margin growth businesses

Progress with GMPD turnaround

Robust cash flow generation

Disciplined capital allocation

12% to 14% non-GAAP EPS growth

Appendix

Cardinal Health, Inc. and Subsidiaries

GAAP / Non-GAAP Reconciliation[1]

(in millions, except per common share amounts)	Gross Margin	Gross Margin Growth Rate	SG&A[2]	SG&A[2] Growth Rate	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net (Earnings)/Loss Attributable to Non-controlling Interests	Net Earnings[3]	Net Earnings[3] Growth Rate	Effective Tax Rate	Diluted EPS[3]	Diluted EPS[3] Growth Rate
	Fourth Quarter 2026													
GAAP	**$ 2,560**	**16 %**	**$ 1,625**	**10 %**	**$ 729**	**70 %**	**$ 554**	**$ 154**	**$ (2)**	**$ 398**	**67 %**	**27.9 %**	**$ 1.70**	**70 %**
Restructuring and employee severance	**—**		**—**		**40**		**40**	**9**	**—**	**31**			**0.13**	
Amortization and other acquisition-related costs	**—**		**—**		**121**		**121**	**28**	**—**	**93**			**0.40**	
Acquisition-related cash & share-based compensation costs	**—**		**—**		**44**		**44**	**3**	**—**	**41**			**0.18**	
Impairments and (gain)/loss on disposal of assets, net	**—**		**—**		**4**		**4**	**3**	**—**	**1**			**—**	
Litigation (recoveries)/charges, net	**—**		**—**		**(3)**		**(3)**	**(3)**	**—**	**—**			**—**	
Impairment of equity interest in Outcomes[4]	**—**		**—**		**—**		**122**	**3**	**—**	**119**			**0.51**	
Non-GAAP	**$ 2,560**	**16 %**	**$ 1,625**	**10 %**	**$ 935**	**30 %**	**$ 882**	**$ 198**	**$ (2)**	**$ 682**	**36 %**	**22.5 %**	**$ 2.91**	**40 %**
	Fourth Quarter 2025													
GAAP	$ 2,202	17 %	$ 1,484	16 %	$ 428	7 %	$ 384	$ 141	$ (4)	$ 239	2 %	36.9 %	$ 1.00	4 %
Restructuring and employee severance	—		—		27		27	6	—	21			0.09	
Amortization and other acquisition-related costs	—		—		133		133	23	2	112			0.46	
Acquisition-related cash & share-based compensation costs	—		—		106		106	1	4	109			0.45	
Impairments and (gain)/loss on disposal of assets, net	—		—		33		33	9	—	24			0.10	
Litigation (recoveries)/charges, net	—		—		(9)		(9)	(2)	—	(7)			(0.03)	
Non-GAAP	$ 2,203	17 %	$ 1,484	16 %	$ 719	19 %	$ 676	$ 178	$ 3	$ 501	11 %	26.3 %	$2.08	13 %

[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 2026, we recognized a pre-tax impairment charge of $122 million related to our equity method investment in Outcomes due to an observed reduction in the estimated fair value of the business, which is included in impairment of equity interest in Outcomes in the consolidated statements of earnings. The net tax benefit related to this charge was $3 million and is 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[1]

(in millions, except per common share amounts)	Gross Margin	Gross Margin Growth Rate	SG&A[2]	SG&A[2] Growth Rate	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net (Earnings)/Loss Attributable to Non-controlling Interests	Net Earnings[3]	Net Earnings[3] Growth Rate	Effective Tax Rate	Diluted EPS[3]	Diluted EPS[3] Growth Rate
	Fiscal Year 2026													
GAAP	**$ 9,774**	**20 %**	**$ 6,132**	**14 %**	**$ 2,613**	**15%**	**$ 2,174**	**$ 469**	**$ 9**	**$ 1,714**	**10%**	**21.6 %**	**$ 7.23**	**12 %**
State opioid assessment related to prior fiscal years	—		17		(17)		(17)	(4)	—	(13)			(0.05)	
Restructuring and employee severance	—		—		106		106	24	—	82			0.34	
Amortization and other acquisition-related costs	—		—		469		469	120	—	349			1.47	
Acquisition-related cash & share-based compensation costs	—		—		287		287	12	—	275			1.16	
Impairments and (gain)/loss on disposal of assets, net[5]	—		—		177		177	22	(23)	132			0.56	
Litigation (recoveries)/charges, net	—		—		(10)		(10)	(19)	—	9			0.04	
Impairment of equity interest in Outcomes[4]	—		—		—		122	3	—	119			0.50	
Non-GAAP	**$ 9,774**	**20 %**	**$ 6,150**	**14 %**	**$ 3,624**	**30 %**	**$ 3,308**	**$ 628**	**$ (13)**	**$ 2,667**	**34 %**	**19.0 %**	**$ 11.26**	**37 %**
	Fiscal Year 2025													
GAAP	$ 8,168	10 %	$ 5,382	8 %	$ 2,275	83%	$ 2,101	$ 532	$ (8)	$ 1,561	83%	25.3 %	$ 6.45	87%
Restructuring and employee severance	—		—		88		88	21	—	67			0.28	
Amortization and other acquisition-related costs	—		—		464		464	104	—	360			1.49	
Acquisition-related cash & share-based compensation costs	—		—		126		126	1	—	125			0.51	
Impairments and (gain)/loss on disposal of assets, net	—		—		18		18	5	—	13			0.05	
Litigation (recoveries)/charges, net	—		—		(185)		(185)	(54)	—	(131)			(0.54)	
Non-GAAP	$ 8,168	10 %	$ 5,382	8 %	$ 2,786	15 %	$ 2,612	$ 609	$ (8)	$ 1,995	7 %	23.3 %	$ 8.24	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 2026, we recognized a pre-tax impairment charge of $122 million related to our equity method investment in Outcomes due to an observed reduction in the estimated fair value of the business, which is included in impairment of equity interest in Outcomes in the consolidated statements of earnings. The net tax benefit related to this charge was $3 million and is included in the annual effective tax rate.

[4] For fiscal 2026, impairments and (gain)/loss on disposals of assets, net includes pre-tax goodwill impairment charges of $184 million related to the Navista & ION reporting unit within the Pharma segment. For fiscal 2026, the net tax benefit related to these charges was $23 million, and were included in the annual effective tax rates. The portion of the goodwill impairment charge within the Navista & ION reporting unit attributable to noncontrolling interests was $23 million for fiscal 2026.

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

Segment Information

	Fourth Quarter					
	Pharmaceutical and Specialty Solutions		**Global Medical Products and Distribution**		**Other**	
(in millions)	**2026**	2025	**2026**	2025	**2026**	2025
Revenue						
Amount	**$ 58,848**	$ 55,372	**$ 3,128**	$ 3,199	**$ 1,721**	$ 1,609
Growth rate	**6 %**	— %	**(2)%**	3 %	**7 %**	37 %
Segment profit						
Amount	**$ 645**	$ 535	**$ 150**	$ 70	**$ 183**	$ 160
Growth rate	**21 %**	11 %	**N.M.**	49 %	**14 %**	44 %
Segment profit margin	**1.10%**	0.97 %	**4.80%**	2.19 %	**10.63%**	9.94 %

	Year-to-Date					
	Pharmaceutical and Specialty Solutions		**Global Medical Products and Distribution**		**Other**	
(in millions)	**2026**	2025	**2026**	2025	**2026**	2025
Revenue						
Amount	**$ 234,833**	$ 204,644	**$ 12,719**	$ 12,636	**$ 6,792**	$ 5,382
Growth rate	**15 %**	(3)%	**1 %**	2 %	**26 %**	19 %
Segment profit						
Amount	**$ 2,783**	$ 2,258	**$ 258**	$ 135	**$ 707**	$ 516
Growth rate	**23 %**	12 %	**91 %**	47 %	**37 %**	22 %
Segment profit margin	**1.19%**	1.10 %	**2.03%**	1.07 %	**10.41%**	9.59 %

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

Cardinal Health, Inc. and Subsidiaries

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

(in millions)	Fiscal Year 2026	Fiscal Year 2025
GAAP - Cash Flow Categories		
Net cash provided by operating activities	**$ 5,174**	$ 2,397
Net cash used in investing activities	**(2,584)**	(5,593)
Net cash provided by/(used in) financing activities	**(1,602)**	1,940
Effect of exchange rates changes on cash and equivalents	**(6)**	(3)
Net increase/(decrease) in cash and equivalents	**$ 982**	$ (1,259)
Non-GAAP Adjusted Free Cash Flow		
Net cash provided by operating activities	**$ 5,174**	$ 2,397
Repurchases of liability-classified Specialty Alliance Units	**45**	19
Additions to property and equipment	**(649)**	(547)
Payments related to matters included in litigation (recoveries)/charges, net	**401**	619
Non-GAAP Adjusted Free Cash Flow	**$ 4,971**	$ 2,488

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

Cardinal Health, Inc. and Subsidiaries

Global Medical Product Distribution ("GMPD") and Consolidated

International Emergency Economic Powers Act ("IEEPA") Tariff Refunds Reconciliation

	Global Medical Product Distribution					
	Fourth Quarter			Fiscal Year		
(in millions)	**2026**	2025	% Change	**2026**	2025	% Change
Segment profit	**$ 150**	$ 70	**N.M.**	**$ 258**	$ 135	**91 %**
Less: IEEPA tariff refunds	**100**	—	**100%**	**100**	—	**100%**
Segment profit, excluding IEEPA tariff refunds	**$ 50**	$ 70	**(29)%**	**$ 158**	$ 135	**17 %**

	Consolidated					
	Fourth Quarter			Fiscal Year		
(in millions)	**2026**	2025	% Change	**2026**	2025	% Change
Net earnings [1]	**$ 398**	$ 239	**67 %**	**$ 1,714**	$ 1,561	**10 %**
Less: IEEPA tariff refunds, net of tax	**74**	—	**100%**	**74**	—	**100%**
Net earnings, excluding IEEPA tariff refunds	**$ 324**	$ 239	**36 %**	**$ 1,640**	$ 1,561	**5 %**
Diluted EPS	**$ 1.70**	$ 1.00	**70 %**	**$ 7.23**	$ 6.45	**12 %**
Less: Diluted EPS, IEEPA tariff refunds, net of tax	**0.31**	—	**100%**	**0.31**	—	**100%**
Diluted EPS, excluding IEEPA tariff refunds	**$ 1.39**	$ 1.00	**39 %**	**$ 6.92**	$ 6.45	**7 %**

	Consolidated					
	Fourth Quarter			Fiscal Year		
(in millions)	**2026**	2025	% Change	**2026**	2025	% Change
Non-GAAP Net earnings [1]	**$ 682**	$ 501	**36 %**	**$ 2,667**	$ 1,995	**34 %**
Less: IEEPA tariff refunds, net of tax	**74**	—	**100%**	**74**	—	**100%**
Non-GAAP Net earnings, excluding IEEPA tariff refunds	**$ 608**	$ 501	**21 %**	**$ 2,593**	$ 1,995	**30 %**
Non-GAAP Diluted EPS	**$ 2.91**	$ 2.08	**40 %**	**$ 11.26**	$ 8.24	**37 %**
Less: Non-GAAP Diluted EPS, IEEPA tariff refunds, net of tax	**0.31**	—	**100%**	**0.31**	—	**100%**
Non-GAAP Diluted EPS, excluding IEEPA tariff refunds	**$ 2.60**	$ 2.08	**25 %**	**$ 10.95**	$ 8.24	**33 %**

[1] Attributable to Cardinal Health, Inc.

Cardinal Health, Inc. and Subsidiaries

Distribution, Selling, General and Administrative ("SG&A") Expenses, excluding Acquisitions

	Consolidated									
	Fourth Quarter					Fiscal Year				
(in millions)		2026		2025	% Change		2026		2025	% Change
SG&A expenses	$	1,625	$	1,484	10 %	$	6,132	$	5,382	14 %
Less: Recent acquisitions [1]		198		157	26 %		767		254	N.M.
SG&A expenses, excluding recent acquisitions	**$**	**1,427**	$	1,327	**8 %**	**$**	**5,365**	$	5,128	**5 %**

[1] Recent acquisitions include Integrated Oncology Network (December 2024), GI Alliance (January 2025), Advanced Diabetes Supply Group (April 2025), Urology America (May 2025), and Solaris Health (November 2025).

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) impairment of equity interest in Outcomes.

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) impairment of equity interest in Outcomes, 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) impairment of equity interest in Outcomes, 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) impairment of equity interest in Outcomes, 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 operating activities plus repurchases of liability-classified Specialty Alliance Units, 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.

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 2026 GAAP results. Over the past five fiscal years, the excluded items have impacted the Company's EPS from $1.79 to $8.44, which includes a $6.97 change related to the goodwill impairment we recognized in fiscal 2022.

Definitions

[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] 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.

[4] 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.

[5] 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 include fair value adjustments for liability-classified awards. 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.

[6] 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.

[7] 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.

[8] Impairment of equity interest in Outcomes was incurred in connection with the observed reduction in the estimated fair value of the Outcomes business, of which we hold a 16 percent equity interest. We exclude this impairment from non-GAAP results as impairments of unconsolidated equity investments of this magnitude do not occur in the normal course of our ongoing business operations. This impairment is similar in nature to a gain or loss on the divestiture of a majority interest, which we also exclude from non-GAAP results, including the gain recognized on our initial divestiture of the Outcomes business in fiscal 2024. The exclusion of this impairment from non-GAAP financial measures facilitates comparison of our current financial results to our historical financial results.

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.