

Cardinal Health To Acquire Leading Direct-to-Home Medical Supplies Distributor

February 14, 2013

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Forward-looking statements and GAAP reconciliation

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AssuraMed: A natural extension of Cardinal Health's portfolio

- Strategically aligned with where healthcare is moving, to ambulatory & more cost-effective settings
- Growing channel allows us to serve patients with chronic diseases or receiving post-acute care
- Extends our core capabilities to the home with specialized & scalable platform
- Enhances payor relationships & expertise
- Close to our DNA in operations management & logistics, customer service orientation, product lines & company culture
- Opportunity to deliver Cardinal Health-branded medical products direct to patients/consumers & home medical equipment providers
- Extends our offering to retail pharmacy & health system customers
- Brings incremental expertise in small parcel fulfillment, enabling growth in physician offices
- Creates a robust platform for future product & service offerings

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At a glance



- $1B calendar 2012 revenues (including revenues of Invacare Supply Group, acquired by AssuraMed in January 2013)
- Excellent growth platform in a large segmented channel
- Serving >1M patients, offering 30,000 products, ~6K patient touch points daily, 12 distribution centers
- Strong brands, value-added small parcel distribution capabilities, industry-leading reimbursement platform & a focus on customer service
- Proprietary, regulatory compliant medical billing & reconciliation infrastructure; >1,000 payor contracts
- Growing, recurring revenue streams & strong customer retention
- Experienced healthcare management team with proven track record

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Two strong business lines

	edgepark® Medical Supplies	Independence Medical® + Invacare Supply Group
Business Model	• Direct patient orders received & fulfilled by Edgepark (direct to home). Patients referred by providers, payors and manufacturers.	• Patient orders placed with third-party providers & fulfilled by Independence Medical (largely through direct to home shipments)
Paying Customers	• Managed Care ("MCO") • Medicare • Individual Patients	• Home Medical Equipment ("HME") Providers • Pharmacies • Wholesale Distributors • Home Health Agencies
Orders Shipped	• Patient's Home	• Patient's Home • Customer's Place of Business
Specialty Supply Inventory	*Distributes over 30,000 SKUs* • Ostomy • Diabetes Testing • Enteral Nutrition • Wound Care • Insulin Infusion • Urological • Incontinence • Respiratory • Tracheotomy • Skin Care • Health & Personal Wellness	
National Distribution Footprint	National footprint with 12 distribution centers including acquisition of Invacare Supply Group	

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Key assets we are acquiring

Leading Distributor to the Home	• Specialized distribution centers • Low unit of measure capabilities • Custom technology platform
Channel Access	• Clinician, patient & provider • Serving >1M patients • 13,000 provider customers
Demand Generation Capabilities	• Low-cost inside sales model • Deep HME provider relationships • Nearly 20,000 referral sources • Patient compliance & retention
Proven Track Record	• Exceptional EBITDA CAGR for prior 15 years • Deep home health knowledge • Seasoned management team
MCO/Payor Contracts	• >1,000 payor contracts • Medicaid licensing for continued expansion
Medical Billing Expertise	• Part B billing expertise • Proprietary rules engine by payor plan & product type • Robust regulatory compliance systems

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Home Care Industry Structure

7%+ annual growth 2011 – 2021[1]

Patients typically require home care for:

- Chronic conditions
- Recovery after acute episodes

The patient's home care needs are directed by a:

- Primary care physician
- Discharge planner

There are two types of home care providers:

- **Home Health Agencies** (HHA) provide nurses & clinical staffing
- **Home Medical Equipment Providers** (HME) deliver products & product-related services

Home care providers:

- Collect reimbursement from health plans & patients
- Consume or provide $16B[2] of supplies & equipment
- Deliver products through retail, mail order, or directly with the home care provider

Chronic or Post-Acute Patient



Prescribers & Coordinators



Home Care Providers



HHAs: "Clinical Staffing"



HMEs: "Product Services"

AssuraMed's Primary focus

Product Channels

Retail



Mail Order



Direct with Provider



[1]*CMS.gov, 2011 National Health Expenditures Projections*

[2]*Cardinal Health estimates of ex-manufacturer revenues of medical supplies & equipment sold into the home (e.g., diabetes, patient positioning & mobility, respiratory & CPAP)*

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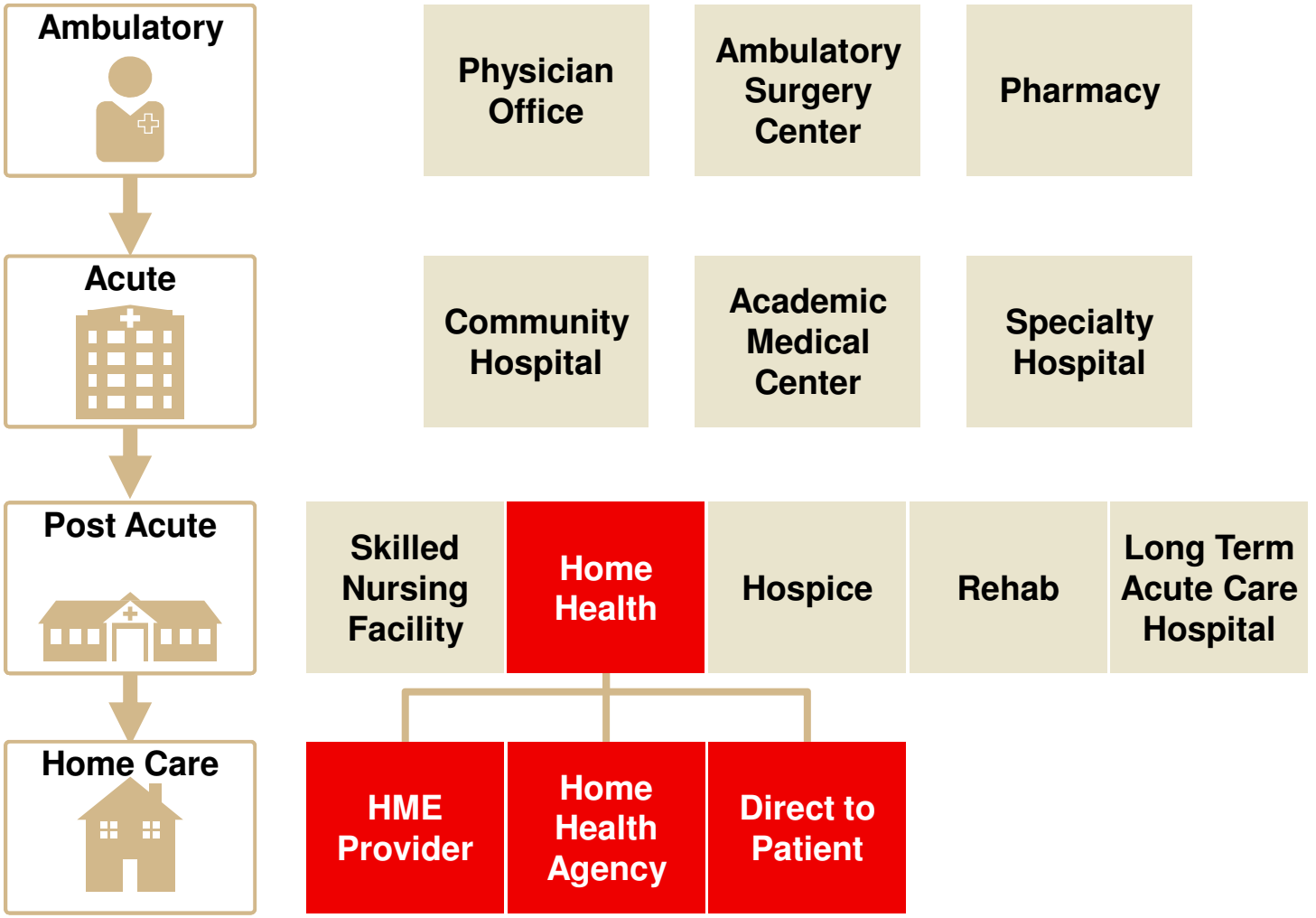
AssuraMed broadens our reach



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A financially compelling acquisition[1]

- Calendar 2012 sales of ~$1B[2] & decade-long history of mid-teens or higher revenue & profit growth
- Expect to be accretive to Medical Segment profit (where it will be reported) & total company non-GAAP margins
- Transaction valued at $2.07B or $1.94B net of tax benefits[3]
- Expect FY13 accretion, assuming close by early April 2013, by $0.02 to $0.03 per share on a non-GAAP EPS from continuing operations basis; in FY14, expected to be accretive by at least $0.18 (including $0.08-$0.09 of incremental financing-related interest expense)
- Expect to fund with ~$770M of cash & $1.3B of term debt (bridge facility in place)
- Premature for detailed estimate of GAAP earnings impact related to intangible amortization, although initial expectations are for significant amortization in first few years
- Expect significant positive synergies between business models, particularly around sourcing, private-label penetration & enhanced offerings to existing customers

[1]See appendix for non-GAAP definitions
[2]Revenues for calendar 2012 include revenues of Invacare Supply Group
[3]See appendix for description of tax benefits

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A highly complementary platform

Private label penetration
- Accelerate existing & new private label product introductions through AssuraMed channel

Sourcing
- Combined channel access boosts scale & sourcing capabilities in both Medical & Pharma

Operational Cost Efficiencies
- Opportunity to optimize national distribution network
- Freight & logistics savings

Distribution platform
- Low unit of measure platform provides opportunity to more cost-effectively serve certain customer classes (e.g., physicians office)

Market Offering
- Cardinal Health Integrated Delivery Network (IDN) & pharmacy relationships strengthen & broaden AssuraMed sales network
- Enhanced product & service offering further differentiates our offering & value we bring to retail pharmacies & IDNs
- Aligned with our growing Specialty business
- Opportunity to integrate additional product categories & services over time

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Additional information

- Experienced management team remains with us
  - Michael B. Petras Jr. – Chief Executive Officer
  - Kurt Packer – President & Chief Operating Officer
- Base of operations in Twinsburg, OH (outside Cleveland)
- Close anticipated by early April 2013, subject to customary closing conditions & receipt of regulatory approvals

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Q&A

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Appendix: Non-GAAP Definition, GAAP Reconciliation and Tax Benefit Description

Non-GAAP Definition

Non-GAAP earnings per share from continuing operations: earnings from continuing operations (A) excluding (1) restructuring & employee severance, (2) acquisition-related costs (including amortization of acquisition-related intangible assets), (3) impairments & loss on disposal of assets, (4) litigation (recoveries)/charges, net, & (5) other spinoff costs, each net of tax, (B) divided by diluted weighted average shares outstanding.

Non-GAAP Financial Measures

Cardinal Health presents non-GAAP earnings per share from continuing operations on a forward-looking basis. The most directly comparable forward-looking GAAP measure is earnings from continuing operations. The company is unable to provide a quantitative reconciliation of this forward-looking non-GAAP measure to the most directly comparable forward-looking GAAP measure, because the company cannot reliably forecast restructuring & employee severance, acquisition-related costs (including amortization of acquisition-related intangible assets), impairments & loss on disposal, & litigation (recoveries)/charges, which are difficult to predict & estimate. Please note that the unavailable reconciling items could significantly impact the company's future financial results.

Description of tax benefits (noted on slide 9)

Tax benefits to be derived from two sources. Through an earlier acquisition AssuraMed completed in 2007, in which an election was made that provided a step-up in basis, an amortizable asset was recorded for tax purposes that will continue to provide future tax benefits. In addition, Cardinal Health will receive a benefit from transaction-related costs, primarily compensation, that will be deductible on AssuraMed's pre-closing return.

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