

Q1 FY2015 earnings investor/analyst call

October 30, 2014

CardinalHealth
Essential to care™

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

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 expense accruals. 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 competitive pressures in Cardinal Health's various lines of business; the ability to achieve the expected benefits from the generic sourcing joint venture with CVS Health; the frequency or rate of pharmaceutical price appreciation or deflation and the timing of generic and branded pharmaceutical introductions; the non-renewal or a default under one or more key customer or supplier arrangements or changes to the terms of or level of purchases under those arrangements; the ability to achieve the expected benefits from the AccessClosure and Sonexus Health acquisitions; uncertainties due to government health care reform including federal health care reform legislation; changes in the distribution patterns or reimbursement rates for health care products and services; the effects of any investigation or action by any regulatory authority; and changes in the cost of commodities such as oil-based resins, cotton, latex and diesel fuel. 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 October 30, 2014. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement. In addition, these presentations contain Non-GAAP financial measures. Cardinal Health provides GAAP numbers, definitions and reconciling information in the Financial Appendix at the end of these presentations and on its Investors page at ir.cardinalhealth.com. An audio replay of the conference call will be available on the Investors page at ir.cardinalhealth.com.

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Q1 FY2015

Financial summary

	GAAP Basis ($M)		Non-GAAP Basis ($M)	
	Q1 FY15	Q1 FY14	Q1 FY15	Q1 FY14
Revenue	$24,070	$24,523		
% change	*(2)%*	*(5)%*		
Operating earnings	$466	$471	$566	$532
% change	*(1)%*	*3%*	*6%*	*13%*
Ratio to revenue	*1.94%*	*1.92%*	*2.35%*	*2.17%*
Earnings from continuing ops	$266	$340	$340	$378
% change	*(22)%*	*25%*	*(10)%*	*35%*
Ratio to revenue	*1.10%*	*1.38%*	*1.41%*	*1.54%*
Diluted EPS from continuing ops	$0.78	$0.99	$1.00	$1.10 *
% change	*(21)%*	*25%*	*(9)% **	*36%*

* Q1FY14 non-GAAP diluted EPS included an $0.18 benefit related to tax settlements; excluding this impact, Q1FY15 non-GAAP diluted EPS increased 9 percent

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Q1 FY2015

Pharmaceutical segment business analysis

	Q1 FY15 ($M)	Q1 FY14 ($M)	% Change
Revenue	$21,209	$21,813	(3)%
Segment profit	$451	$433	4%
Segment profit margin	2.13%	1.99%	

Highlights:

- Revenue for the Pharmaceutical segment declined 3 percent to $21.2 billion due to the expiration of the Walgreens contract in the prior year first quarter. The decline was partially offset by growth from new and existing customers as well as continued strong growth in China.
- Segment profit increased 4 percent to $451 million, driven by growth from new and existing customers as well as strong performance from generic programs.
- Expanded segment profit margin by 14bps.

The sum of the components may not equal the total due to rounding

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Q1 FY2015

Medical segment business analysis

	Q1 FY15 ($M)	Q1 FY14 ($M)	% Change
Revenue	$2,852	$2,711	5%
Segment profit	$113	$106	6%
Segment profit margin	3.97%	3.92%	

Highlights:

- Revenue for the Medical segment was up 5 percent to $2.9 billion, driven by strong performance from acquisitions and the positive net impact of customer volume.
- Segment profit increased 6 percent to $113 million due to growth in Cardinal Health-branded products as well as select service offerings, partially offset by a reduction in contribution from national brand products.
- Expanded segment profit margin by 5bps.

The sum of the components may not equal the total due to rounding

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Q1 FY2015

GAAP to non-GAAP reconciliation

	Q1 FY 2015			Q1 FY 2014		
	Operating Earnings ($M)	Earnings from Continuing Operations ($M)	Diluted EPS from Continuing Operations	Operating Earnings ($M)	Earnings from Continuing Operations ($M)	Diluted EPS from Continuing Operations
GAAP	**$466**	**$266**	**$0.78**	**$471**	**$340**	**$0.99**
Restructuring and employee severance	19	12	0.04	11	7	0.02
Amortization and other acquisition-related costs[1]	53	34	0.10	49	31	0.09
Impairments and loss on disposal of assets	-	-	-	-	-	-
Litigation (recoveries)/charges, net	28	28	0.08	1	1	-
Non-GAAP	**$566**	**$340**	**$1.00**	**$532**	**$378**	**$1.10**

[1] Amortization of acquisition-related intangible assets included in Amortization and other acquisition-related costs are as follows:

Amortization of acquisition-related intangible assets	$44	$28	$0.08	$45	$28	$0.08

The sum of the components may not equal the total due to rounding

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

FY2015 outlook

© Copyright 2014 Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

October 30, 2014

FY2015 financial expectations

FY2015 non-GAAP EPS from continuing operations:

$4.10 - $4.30

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

October 30, 2014

FY15 corporate assumptions

	FY15 outlook	FY14 actual
Non-GAAP effective tax rate	36.0% - 37.0%[1]	35.3%
Diluted weighted average shares outstanding	337M – 338M	345.2M
Interest and other, net	$140M - $150M	$86.8M
Capital expenditures	~$350M	$249M
Acquisition-related intangible amortization	~$184M or ~$0.35[2]	$187M or $0.34

[1]May fluctuate quarterly due to unique items affecting periods.

[2]Includes only acquisitions closed as of September 30, 2014.

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™



CardinalHealth

Essential to care™

© Copyright 2014 Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.



Q1 FY2015 trailing five quarters and GAAP to Non-GAAP reconciliation statements

© Copyright 2014 Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Q1 FY2015

Segment analysis

Pharmaceutical segment

	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15
Revenue ($M)	21,813	19,443	18,762	20,092	21,209
Segment Profit ($M)	433	482	452	377	451

Medical segment

	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15
Revenue ($M)	2,711	2,799	2,657	2,794	2,852
Segment Profit ($M)	106	131	111	96	113

© Copyright 2014, Cardinal Health. All rights reserved. CARDINAL HEALTH, the Cardinal Health LOGO and ESSENTIAL TO CARE are trademarks or registered trademarks of Cardinal Health.

CardinalHealth
Essential to care™

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation

(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes and Discontinued Operations	Provision for Income Taxes	Earnings from Continuing Operations	Earnings from Continuing Operations Growth Rate	Diluted EPS from Continuing Operations	Diluted EPS from Continuing Operations Growth Rate[1]
	First Quarter 2015							
GAAP	**$ 466**	**(1)%**	**$ 435**	**$ 169**	**$ 266**	**(22)%**	**$ 0.78**	**(21)%**
Restructuring and employee severance	**19**		**19**	**7**	**12**		**0.04**	
Amortization and other acquisition-related costs	**53**		**53**	**19**	**34**		**0.10**	
Impairments and loss on disposal of assets	**-**		**-**	**-**	**-**		**-**	
Litigation (recoveries)/charges, net	**28**		**28**	**-**	**28**		**0.08**	
Non-GAAP	**$ 566**	**6 %**	**$ 535**	**$ 195**	**$ 340**	**(10)%**	**$ 1.00**	**(9)%**
	First Quarter 2014							
GAAP	$ 471	3 %	$ 442	$ 102	$ 340	25 %	$ 0.99	25 %
Restructuring and employee severance	11		11	4	7		0.02	
Amortization and other acquisition-related costs	49		49	18	31		0.09	
Impairments and loss on disposal of assets	-		-	-	-		-	
Litigation (recoveries)/charges, net	1		1	-	1		-	
Non-GAAP	$ 532	13 %	$ 503	$ 124	$ 378	35 %	$ 1.10	36 %

[1] The $63 million settlements of federal and state tax controversies favorably impacted, for fiscal 2014 first quarter, both diluted EPS from continuing operations and non-GAAP diluted EPS from continuing operations by $0.18. The fiscal 2015 first quarter growth rates for diluted EPS from continuing operations and non-GAAP diluted EPS from continuing operations, excluding the impact of the tax settlements, would have been (4) percent and 9 percent, respectively.

The sum of the components may not equal the total due to rounding.

We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Cardinal Health, Inc. and Subsidiaries
Total Company Business Analysis

(in millions)	First Quarter 2015	First Quarter 2014	Non-GAAP First Quarter 2015	Non-GAAP First Quarter 2014
Revenue				
Amount	**$ 24,070**	$ 24,523		
Growth rate[1]	**(2)%**	(5)%		
Operating earnings				
Amount	**$ 466**	$ 471	**$ 566**	$ 532
Growth rate	**(1)%**	3 %	**6 %**	13 %
Earnings from continuing operations				
Amount	**$ 266**	$ 340	**$ 340**	$ 378
Growth rate	**(22)%**	25 %	**(10)%**	35 %
Return on equity	**16.8 %**	22.1 %	**21.5 %**	24.7 %
Effective tax rate from continuing operations[2]	**38.9 %**	23.2 %	**36.5 %**	24.7 %
Debt to total capital	**39 %**	38 %		
Net debt to capital			**20 %**	15 %

[1] Revenue from Walgreens was $3.3 billion for the three months ended September 30, 2013. Excluding the impact of the Walgreens contract expiration, the fiscal 2015 first quarter revenue growth rate would have been 13 percent.

[2] The settlements of federal and state tax controversies favorably impacted, for fiscal 2014 first quarter, both the effective tax rate from continuing operations and non-GAAP effective tax rate from continuing operations by 14.3 and 12.6 percentage points, respectively. The fiscal 2014 first quarter non-GAAP effective tax rate from continuing operations, excluding the impact of the tax settlements, would have been 37.3 percent.

Refer to the GAAP/Non-GAAP reconciliation for definitions and calculations supporting the Non-GAAP balances.

Cardinal Health, Inc. and Subsidiaries
Segment Business Analysis

(in millions)	First Quarter 2015	First Quarter 2014
Pharmaceutical		
Revenue		
Amount	**$ 21,209**	$ 21,813
Growth rate[1]	**(3)%**	(7)%
Segment profit		
Amount	**$ 451**	$ 433
Growth rate	**4 %**	8 %
Segment profit margin	**2.13 %**	1.99 %

(in millions)	First Quarter 2015	First Quarter 2014
Medical		
Revenue		
Amount	**$ 2,852**	$ 2,711
Growth rate	**5 %**	13 %
Segment profit		
Amount	**$ 113**	$ 106
Growth rate	**6 %**	43 %
Segment profit margin	**3.97 %**	3.92 %

[1] Revenue from Walgreens was $3.3 billion for the three months ended September 30, 2013. Excluding the impact of the Walgreens contract expiration, the fiscal 2015 first quarter Pharmaceutical segment revenue growth rate would have been 15 percent.

Refer to definitions for an explanation of calculations.

Total consolidated revenue for the three months ended September 30, 2014 was $24,070 million, which included total segment revenue of $24,061 million and Corporate revenue of $9 million. Total consolidated revenue for the three months ended September 30, 2013 was $24,523 million, which included total segment revenue of $24,524 million and Corporate revenue of $(1) million. Corporate revenue consists primarily of elimination of inter-segment revenue and other revenue not allocated to the segments.

Total consolidated operating earnings for the three months ended September 30, 2014 were $466 million, which included total segment profit of $564 million and Corporate costs of $(98) million. Total consolidated operating earnings for the three months ended September 30, 2013 were $471 million, which included total segment profit of $539 million and Corporate costs of $(68) million. Corporate includes, among other things, restructuring and employee severance, amortization and other acquisition-related costs, impairments and loss on disposal of assets, litigation (recoveries)/charges, net and certain investment spending that are not allocated to the segments.

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation

(in millions)	First Quarter 2015	First Quarter 2014
GAAP return on equity	**16.8 %**	22.1 %
Non-GAAP return on equity		
Net earnings	**$ 266**	$ 339
Restructuring and employee severance, net of tax, in continuing operations	**12**	7
Amortization and other acquisition-related costs, net of tax, in continuing operations	**34**	31
Impairments and loss on disposal of assets, net of tax, in continuing operations	**-**	-
Litigation (recoveries)/charges, net, net of tax, in continuing operations	**28**	1
Adjusted net earnings	**$ 340**	$ 378
Annualized	**$ 1,360**	$ 1,512

	First Quarter 2015	Fourth Quarter 2014	First Quarter 2014	Fourth Quarter 2013
Total shareholders' equity	**$ 6,256**	**$ 6,401**	$ 6,297	$ 5,975
Divided by average shareholders' equity	**$ 6,328**		$ 6,136	
Non-GAAP return on equity	**21.5 %**		24.7 %	

We 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

(in millions)	First Quarter 2015	2014
GAAP effective tax rate from continuing operations[1]	**38.9 %**	23.2 %
Non-GAAP effective tax rate from continuing operations		
Earnings before income taxes and discontinued operations	**$ 435**	$ 442
Restructuring and employee severance	**19**	11
Amortization and other acquisition-related costs	**53**	49
Impairments and loss on disposal of assets	**-**	-
Litigation (recoveries)/charges, net	**28**	1
Adjusted earnings before income taxes and discontinued operations	**$ 535**	$ 503
Provision for income taxes	**$ 169**	$ 102
Restructuring and employee severance tax benefit	**7**	4
Amortization and other acquisition-related costs tax benefit	**19**	18
Impairments and loss on disposal of assets tax benefit	**-**	-
Litigation (recoveries)/charges, net tax benefit	**-**	-
Adjusted provision for income taxes	**$ 195**	$ 124
Non-GAAP effective tax rate from continuing operations[1]	**36.5 %**	24.7 %

	First Quarter 2015	2014
Debt to total capital	**39 %**	38 %
Net debt to capital		
Current portion of long-term obligations and other short-term borrowings	**$ 843**	$ 190
Long-term obligations, less current portion	**3,164**	3,693
Debt	**$ 4,007**	$ 3,883
Cash and equivalents	**(2,469)**	(2,753)
Net debt	**$ 1,538**	$ 1,130
Total shareholders' equity	**6,256**	6,297
Capital	**$ 7,794**	$ 7,427
Net debt to capital	**20 %**	15 %

[1] The settlements of federal and state tax controversies favorably impacted, for fiscal 2014 first quarter, both the effective tax rate from continuing operations and non-GAAP effective tax rate from continuing operations by 14.3 and 12.6 percentage points, respectively. The fiscal 2014 first quarter non-GAAP effective tax rate from continuing operations, excluding the impact of the tax settlements, would have been 37.3 percent.

We 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

(in millions)		Fiscal Year 2014
GAAP effective tax rate from continuing operations		**35.3 %**
Non-GAAP effective tax rate from continuing operations		
Earnings before income taxes and discontinued operations	**$**	**1,798**
Restructuring and employee severance		**31**
Amortization and other acquisition-related costs		**223**
Impairments and loss on disposal of assets		**15**
Litigation (recoveries)/charges, net		**(21)**
Adjusted earnings before income taxes and discontinued operations	**$**	**2,047**
Provision for income taxes	**$**	**635**
Restructuring and employee severance tax benefit		**11**
Amortization and other acquisition-related costs tax benefit		**79**
Impairments and loss on disposal of assets tax benefit		**5**
Litigation (recoveries)/charges, net tax expense		**(8)**
Adjusted provision for income taxes	**$**	**722**
Non-GAAP effective tax rate from continuing operations		**35.3 %**

The sum of the components may not equal the total due to rounding.

We 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

(in millions)	First Quarter 2015	2014
Revenue	**$ 24,070**	$ 24,523
GAAP operating earnings	**$ 466**	$ 471
Restructuring and employee severance	**19**	11
Amortization and other acquisition-related costs	**53**	49
Impairments and loss on disposal of assets	**-**	-
Litigation (recoveries)/charges, net	**28**	1
Non-GAAP operating earnings	**$ 566**	$ 532
GAAP operating earnings margin rate	**1.94 %**	1.92 %
Non-GAAP operating earnings margin rate	**2.35 %**	2.17 %
	18bp	

The sum of the components may not equal the total due to rounding.

Forward-Looking Non-GAAP Financial Measures

We present non-GAAP earnings from continuing operations and non-GAAP effective tax rate from continuing operations (and presentations derived from these financial measures, including per share calculations) on a forward-looking basis. The most directly comparable forward-looking GAAP measures are earnings from continuing operations and effective tax rate from continuing operations. We are unable to provide a quantitative reconciliation of these forward-looking non-GAAP measures to the most directly comparable forward-looking GAAP measures because we cannot reliably forecast restructuring and employee severance, amortization and other acquisition-related costs, impairments and loss on disposal of assets, litigation (recoveries)/charges, net and LIFO charges/(credits), which are difficult to predict and estimate and are primarily dependent on future events. Please note that the unavailable reconciling items could significantly impact our future financial results.

Cardinal Health, Inc. and Subsidiaries

Beginning in fiscal 2015, the Company will exclude last-in, first-out ("LIFO") inventory charges/(credits)[5] from its non-GAAP earnings, for consistency with the presentation by some of its peers. The Company did not record any LIFO charges or credits in the first quarter of fiscal 2015 or 2014, respectively.

Definitions

Debt: long-term obligations plus short-term borrowings.

Debt to Total Capital: debt divided by (debt plus total shareholders' equity).

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

Net Debt: a Non-GAAP measure defined as debt minus (cash and equivalents).

Net Debt to Capital: a Non-GAAP measure defined as net debt divided by (net debt plus total shareholders' equity).

Non-GAAP Diluted EPS from Continuing Operations: non-GAAP earnings from continuing operations divided by diluted weighted-average shares outstanding.

Non-GAAP Earnings from Continuing Operations: earnings from continuing operations excluding (1) restructuring and employee severance[1], (2) amortization and other acquisition-related costs[2], (3) impairments and loss on disposal of assets[3], (4) litigation (recoveries)/charges, net[4] and (5) LIFO charges/(credits), each net of tax.

Non-GAAP Effective Tax Rate from Continuing Operations: (provision for income taxes adjusted for (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and loss on disposal of assets, (4) litigation (recoveries)/charges, net and (5) LIFO charges/(credits)) divided by (earnings before income taxes and discontinued operations adjusted for the same five items).

Non-GAAP Operating Earnings: operating earnings excluding (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and loss on disposal of assets, (4) litigation (recoveries)/charges, net and (5) LIFO charges/(credits).

Non-GAAP Operating Earnings Margin Rate: current period non-GAAP operating earnings divided by revenue.

Non-GAAP Return on Equity: (annualized current period net earnings excluding (1) restructuring and employee severance, (2) amortization and other acquisition-related costs, (3) impairments and loss on disposal of assets, (4) litigation (recoveries)/charges, net and (5) LIFO charges/(credits), each net of tax) divided by average shareholders' equity.

Return on Equity: annualized current period net earnings divided by average shareholders' equity.

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.

[1] Programs by which the Company fundamentally changes its operations such as closing and consolidating facilities, moving manufacturing of a product to another location, production or business process sourcing, employee severance (including rationalizing headcount or other significant changes in personnel) and realigning operations (including realignment of the management structure of a business unit in response to changing market conditions).

[2] Costs that consist primarily of amortization of acquisition-related intangible assets, transaction costs, integration costs and changes in the fair value of contingent consideration obligations.

[3] Asset impairments and losses from the disposal of assets not eligible to be classified as discontinued operations are classified within impairments and loss on disposal of assets within the condensed consolidated statements of earnings.

[4] Loss contingencies related to litigation and regulatory matters and income from favorable resolution of legal matters.

[5] The inventories of the Company's core pharmaceutical distribution facilities in the Pharmaceutical segment are valued at the lower of cost, using the LIFO method, or market. These charges or credits are included in cost of products sold, and represent changes in the Company's LIFO inventory reserve.