Cardinal Health

36th Annual JP Morgan Healthcare Conference

Mike Kaufmann
Chief Executive Officer

Monday, January 8, 2018

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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 amount or rate of pharmaceutical price appreciation or deflation and the timing of and benefit from generic pharmaceutical introductions; the ability to maintain the benefits from the generic sourcing venture with CVS Health; risks associated with the recently completed acquisition of the Patient Recovery business, including the ability to retain the acquired businesses' customer and employees, the ability to successfully integrate the acquired business into our operations and the ability to achieve the expected synergies as well as accretion in earnings; the risk of 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; uncertainties with respect to the recently enacted Tax Cuts and Jobs Act, including the ability to realize the benefits of, and mitigate the risks from the Act; 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, including litigation related to opioid distribution. 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 January 8, 2018. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement. In addition, this presentation contains Non-GAAP financial measures. Cardinal Health provides definitions and reconciliations of the differences between the Non-GAAP financial measures and their most directly comparable GAAP financial measures in the Financial Appendix at the end of this presentation and at ir.cardinalhealth.com.

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For those tasked with navigating the complexities of healthcare…

Cardinal Health brings **scaled solutions** that **help our customers thrive** in a changing world.

Essential facts about Cardinal Health

A global, integrated healthcare products & services company

$130 billion

revenues in FY17

We operate in

60

countries

Aproximately

50,000

employees worldwide

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Essential facts about Cardinal Health

A global, integrated healthcare products & services company

We're in **NEARLY 85%** of U.S. hospitals



Serving more than **24,000 PHARMACIES**



WE MANUFACTURE OR SOURCE nearly **400,000 UNIQUE PRODUCTS** to support patients across the continuum of care



In home healthcare, we serve **2 million** patients with nearly **50,000** products



WE SERVE more than **10,000** specialty physician offices and clinics

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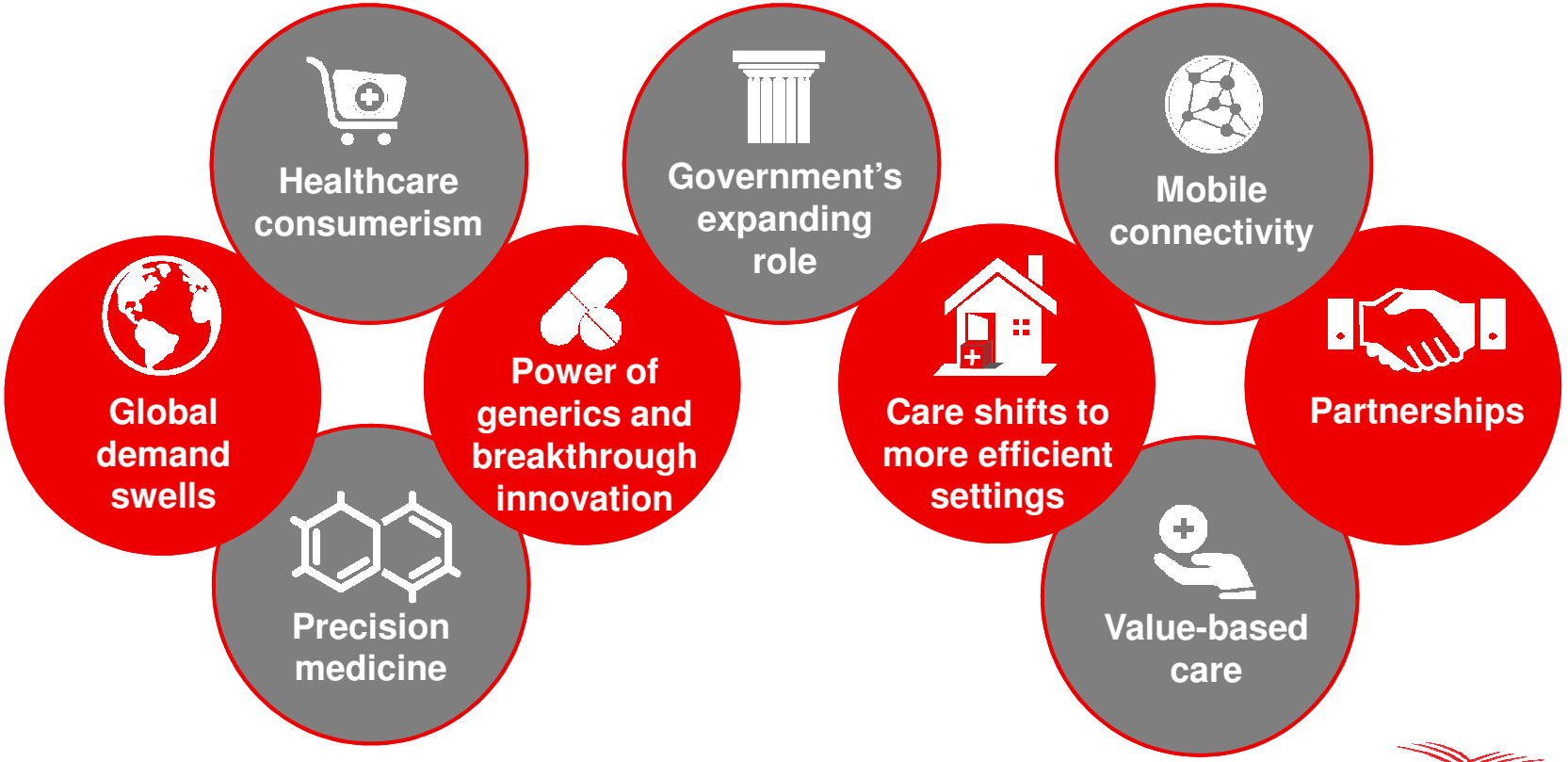
Healthcare Trends



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FY17 financial summary

Revenue ($M)	**$129,976**
non-GAAP Operating Earnings[1] ($M)	**$2,769**
non-GAAP Diluted EPS[2]	**$5.40**

[1]FY17 GAAP operating earnings $2,120M
[2]Attributable to Cardinal Health, Inc. FY17 GAAP diluted EPS $4.03
Please see appendix for GAAP to Non-GAAP reconciliations.

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Q1FY18 financial summary

Revenue ($M)	**$32,641**
non-GAAP Operating Earnings[1] ($M)	**$610**
non-GAAP Diluted EPS[2]	**$1.09**

[1]Q1FY18 GAAP operating earnings $262M
[2]Attributable to Cardinal Health, Inc. Q1FY18 GAAP diluted EPS $0.36
Please see appendix for GAAP to Non-GAAP reconciliations.

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Two financial reporting segments…

Pharmaceutical



FY17 revenues of $116B

FY17 segment profit of $2.2B

Medical



FY17 revenues of $13.5B

FY17 segment profit of $572M

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Acquisition of Medtronic's Patient Recovery Business

Purchase price	**$6.1B**
Closed	**July 2017**
Product Categories	**23**
Manufacturing facilities	**17**
FY18 non-GAAP Diluted EPS[1] Impact	**>$0.21 [2]**
FY19 non-GAAP Diluted EPS[1] Impact	**>$0.55 [2]**
Annual Operational synergies exiting FY20	**>$150M [2]**

[1]Attributable to Cardinal Health, Inc.
[2]Expected financial impact provided on April 18, 2017.
Please see appendix for GAAP to Non-GAAP definitions.

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Patient Recovery Business Product Lines

Argyle™	Open suction, cardiothoracic drainage, catheters
Curity™	Bandages, dressings, underpads, adult briefs, protective underwear
Devon™	Foam positioners, delivery kits, OR essentials
Dover™	Urology, collection systems
KANGAROO	Enteral feeding pumps, sets, tubes and access devices
Kendall™	Compression devices, anti-embolism stockings, disposable lead wires
Monoject™	Sharps disposal containers, hypodermic needles, prefilled syringes



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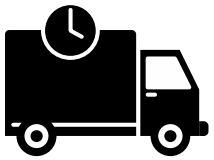
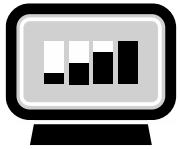
Cardinal Health goes to market with enterprise-wide capabilities in four areas



Logistics
Solutions

Enable a more efficient way of bringing healthcare to market



Business
Solutions

Optimize the process and performance of healthcare



Patient
Solutions

Connect clinicians and patients for smarter population management, better patient wellness



Product
Solutions

Provide a comprehensive healthcare product offering

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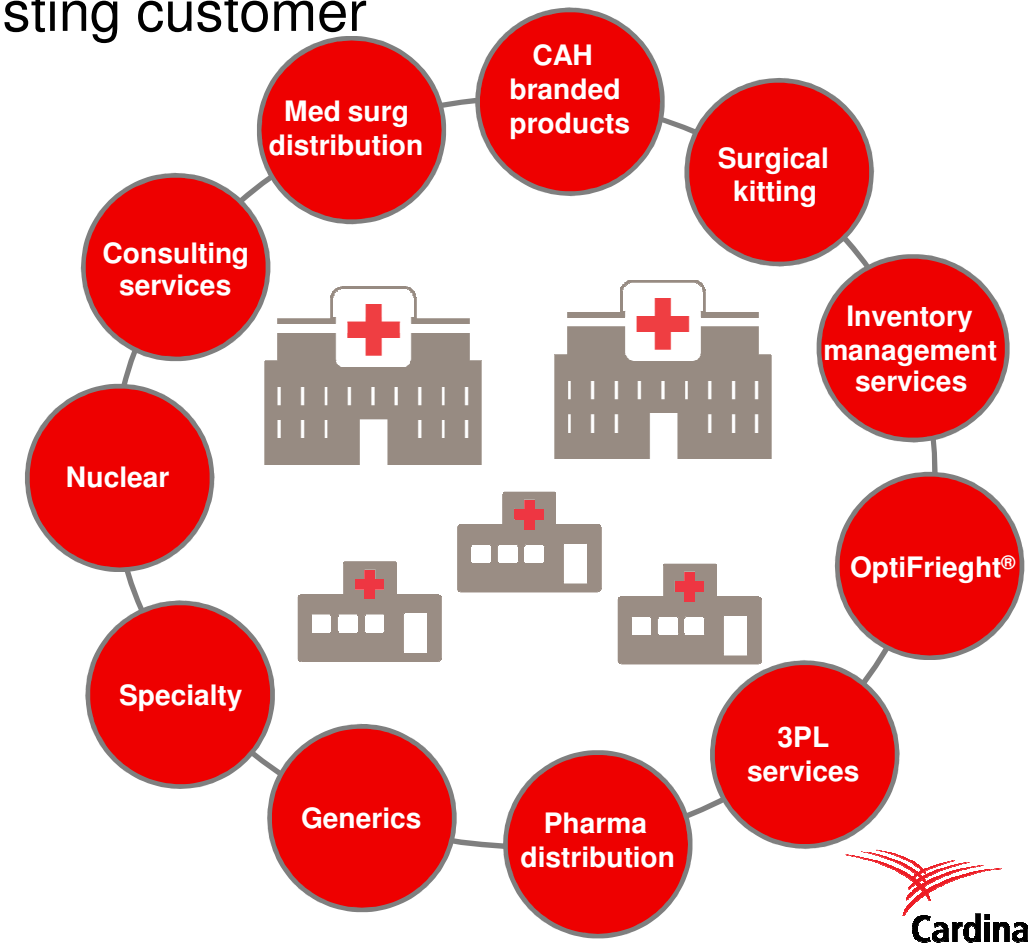
Robust solutions for an existing customer

- One of the largest not-for-profit healthcare providers
- $4B+ in revenues
- 10+ hospitals, long-term care facilities, physician offices, retail clinics and pharmacies, and rehabilitation centers



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Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation[1]

(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings[2]	Net Earnings[2] Growth Rate	Diluted EPS[2]	Diluted EPS[2] Growth Rate
				Fiscal Year 2017				
GAAP	**$ 2,120**	**(14)%**	**$ 1,924**	**$ 630**	**$ 1,288**	**(10)%**	**$ 4.03**	**(7)%**
Restructuring and employee severance	**56**		**56**	**20**	**36**		**0.11**	
Amortization and other acquisition-related costs	**527**		**527**	**165**	**362**		**1.13**	
Impairments and (gain)/loss on disposal of assets	**18**		**18**	**6**	**12**		**0.04**	
Litigation (recoveries)/charges, net	**48**		**48**	**19**	**29**		**0.09**	
Loss on extinguishment of debt	**-**		**-**	**-**	**-**		**-**	
Non-GAAP	**$ 2,769**	**(4)%**	**$ 2,572**	**$ 839**	**$ 1,727**	**(0)%**	**$ 5.40**	**3 %**
				Fiscal Year 2016				
GAAP	$ 2,459	14 %	$ 2,276	$ 845	$ 1,427	18 %	$ 4.32	20 %
LIFO charges/(credits)	-		-	-	-		-	
Restructuring and employee severance	25		25	9	16		0.05	
Amortization and other acquisition-related costs	459		459	143	316		0.96	
Impairments and (gain)/loss on disposal of assets	21		21	6	15		0.04	
Litigation (recoveries)/charges, net	(69)		(69)	(27)	(42)		(0.13)	
Non-GAAP	$ 2,895	17 %	$ 2,711	$ 976	$ 1,732	18 %	$ 5.24	20 %

[1]For more information on these measures, refer to the Use of Non-GAAP Financial Measures and Definitions schedules
[2]Attributable to Cardinal Health, Inc.
[3]GAAP diluted EPS for the twelve months ended June 30, 2017 compared to the prior year period was favorably impacted by $0.39, which includes $0.26 due to change in the effective tax rate and $0.13 due to the change in weighted average shares outstanding. The change in GAAP diluted EPS due to the effective tax rate is calculated as ((GAAP Earnings before Income Taxes for the current period times (one minus the current period GAAP Effective Tax Rate)) minus (GAAP Earnings before Income Taxes for the current period times (one minus the prior period GAAP Effective Tax Rate))) divided by the current period weighted average shares outstanding. The change in GAAP diluted EPS due to the weighted average shares outstanding is calculated as (GAAP Net Earnings for the current period divided by the current period weighted average shares outstanding) minus (GAAP Net Earnings for the current period divided by the prior period weighted average shares outstanding).
[4]Non-GAAP diluted EPS for the twelve months ended June 30, 2017 compared to the prior year period was favorably impacted by $0.44, which includes $0.27 due to change in the effective tax rate and $0.17 due to the change in weighted average shares outstanding. The change in Non-GAAP diluted EPS due to the effective tax rate is calculated as ((Non-GAAP Earnings before Income Taxes for the current period times (one minus the current period Non-GAAP Effective Tax Rate)) minus (Non-GAAP Earnings before Income Tax for the current period times (one minus the prior period Non-GAAP Effective Tax Rate))) divided by the current period weighted average shares outstanding. The change in Non-GAAP diluted EPS due to the weighted average shares outstanding is calculated as (Non-GAAP Net Earnings for the current period divided by the current period weighted average shares outstanding) minus (Non-GAAP Net Earnings for the current period divided by the prior period weighted average shares outstanding).

The sum of the components may not equal the total due to rounding.
We generally apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.
There were no losses on extinguishment of debt during the periods presented.

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Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation[1]

(in millions, except per common share amounts)	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings[2]	Net Earnings[2] Growth Rate	Diluted EPS[2]	Diluted EPS[2] Growth Rate
	First Quarter 2018							
GAAP	**$ 262**	**(51)%**	**$ 178**	**$ 61**	**$ 115**	**(63)%**	**$ 0.36**	**(63)%**
Restructuring and employee severance	**132**		**132**	**47**	**85**		**0.27**	
Amortization and other acquisition-related costs	**183**		**183**	**58**	**125**		**0.40**	
Impairments and (gain)/loss on disposal of assets	**1**		**1**	**-**	**1**		**-**	
Litigation (recoveries)/charges, net	**32**		**32**	**13**	**19**		**0.06**	
Loss on extinguishment of debt	**-**		**1**	**1**	**-**		**-**	
Non-GAAP	**$ 610**	**(9)%**	**$ 527**	**$ 180**	**$ 346**	**(13)%**	**$ 1.09**	**(12)%**
	First Quarter 2017							
GAAP	$ 535	(14)%	$ 494	$ 184	$ 309	(19)%	$ 0.96	(17)%
Restructuring and employee severance	9		9	4	5		0.02	
Amortization and other acquisition-related costs	122		122	40	82		0.25	
Impairments and (gain)/loss on disposal of assets	3		3	1	2		0.01	
Litigation (recoveries)/charges, net	1		1	-	1		-	
Non-GAAP	$ 669	(9)%	$ 629	$ 229	$ 399	(13)%	$ 1.24	(10)%

[1]For more information on these measures, refer to the Use of Non-GAAP Financial Measures and Definitions schedules
[2]Attributable to Cardinal Health, Inc.

The sum of the components may not equal the total due to rounding.
We generally apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.
There were no losses on extinguishment of debt during the First Quarter 2017.

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Cardinal Health, Inc. and Subsidiaries

Forward Looking non-GAAP Measures

In this presentation, the Company presents forward-looking non-GAAP EPS and may present forward-looking non-GAAP ETR metrics. The Company does not provide EPS or ETR outlook, which are the most directly comparable GAAP measure to non-GAAP EPS and non-GAAP ETR, respectively, because changes in the items that the Company excludes from these non-GAAP measures 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, due to their unpredictability, management does not forecast many of the excluded items for internal use and therefore cannot create or rely on an EPS or ETR outlook.

The timing and amount of any of the excluded items could significantly impact the actual EPS and ETR metrics. Over the past five fiscal years, the excluded items have lowered the Company's EPS from $0.47 to $2.76, which includes a goodwill impairment charge of $2.32 per share related to our Nuclear Pharmacy Services division that we recognized in fiscal 2013.

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Definitions

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

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

Non-GAAP Diluted EPS attributable to Cardinal Health, Inc. or "Non-GAAP Diluted EPS" or "Non-GAAP Diluted Earnings Per Share": non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

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

Non-GAAP Effective Tax Rate: (provision for income taxes adjusted for (1) LIFO charges/(credits)[1], (2) restructuring and employee severance[2], (3) amortization and other acquisition-related costs[3], (4) impairments and (gain)/loss on disposal of assets[4], (5) litigation (recoveries)/charges, net[5], and (6) loss on extinguishment of debt[6]) divided by (earnings before income taxes adjusted for the same six items).

Non-GAAP Gross Margin: Gross margin excluding LIFO charges/(credits).

[1]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.

[2]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).

[3]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.

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

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

[6]Charges related to the make-whole premium on the redemption of notes.

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