Cardinal Health

39th Annual Raymond James Institutional Investors Conference

Mike Kaufmann
Chief Executive Officer

Tuesday, March 6, 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' customers and employees, the ability to successfully integrate the acquired businesses 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 due to government health care reform including proposals to modify or repeal the Affordable Care Act; uncertainties with respect to the recently enacted Tax Cuts and Jobs Act, including the ability to realize the benefits of, and manage the potential impact from certain provisions of the Act; changes in the distribution patterns or reimbursement rates for health care products and services; the effects of ongoing investigations and of any action by any governmental or regulatory authority, including litigation or reputational harm arising from the distribution of opioids; and changes in foreign currency rates and 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 March 6, 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 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

Approximately

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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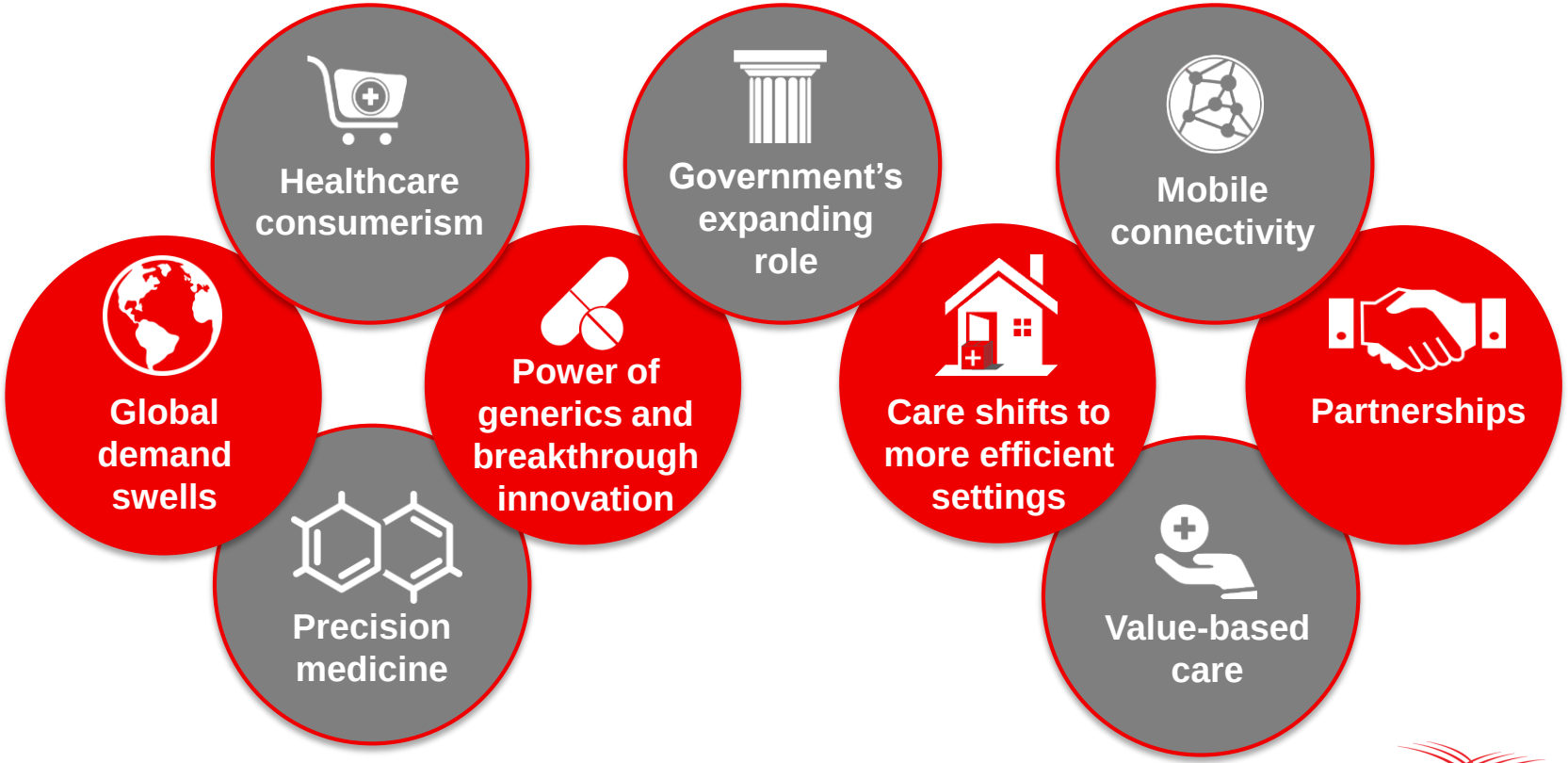
Healthcare Trends



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FY17 financial summary

Revenue ($M)	**$129,976**
non-GAAP Operating Earnings ($M)	**$2,769[1]**
non-GAAP Diluted EPS[2]	**$5.40[3]**

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

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Q2FY18 financial summary

Revenue ($M)	**$35,186**
non-GAAP Operating Earnings ($M)	**$730[1]**
non-GAAP Diluted EPS[2]	**$1.51[3,4]**

[1]Q2FY18 GAAP operating earnings $399M
[2]Attributable to Cardinal Health, Inc.
[3]Includes a tax benefit of $0.20 per share from applying a lower federal tax rate to our year-to-date U.S. pretax non-GAAP earnings. Any impact on the tax benefit from future changes in the estimated effective tax rate will be reflected in the applicable period of the change in estimate.
[4]Q2FY18 GAAP diluted EPS $3.33 includes the $2.83 net benefit from the re-measurement of our deferred tax assets and liabilities partially offset by the repatriation tax on cash and earnings of foreign subsidiaries. We have not yet completed our analysis of the impact of the Tax Act and, as such, these amount are provisional estimates and we may record additional provisional amounts or adjustments to the provisional amounts in future periods.
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 e	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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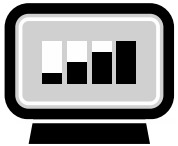
Cardinal Health goes to market with enterprise-wide capabilities in four areas



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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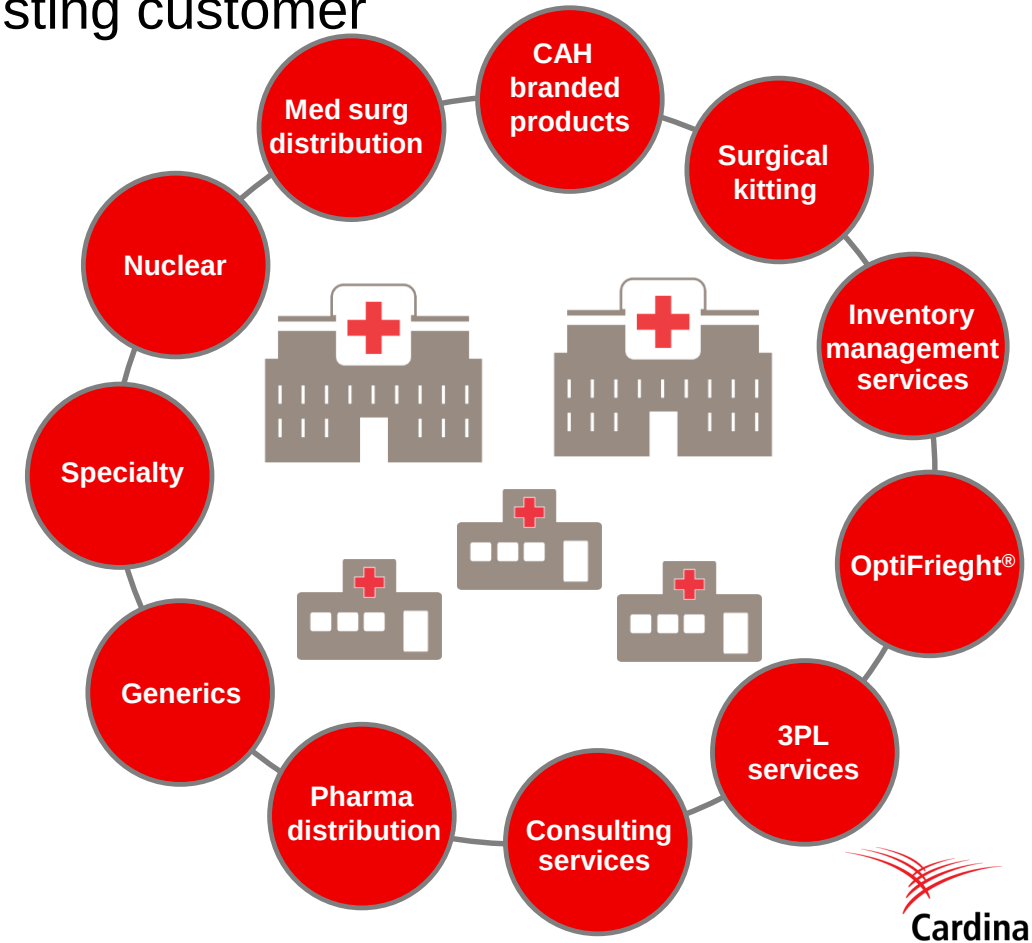
Robust solutions for an existing customer

- 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)	Gross Margin	Gross Margin Growth Rate	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for/ (Benefit from) Income Taxes	Net Earnings[2]	Net Earnings[2] Growth Rate	Diluted EPS[2]	Diluted EPS[2] Growth Rate
	Second Quarter 2018									
GAAP	**$ 1,861**	**16 %**	**$ 399**	**(26)%**	**$ 317**	**$ (736)**	**$ 1,053**	**225 %**	**$ 3.33**	**226 %**
Restructuring and employee severance	**-**		**21**		**21**	**(2)**	**23**		**0.07**	
Amortization and other acquisition-related costs	**-**		**184**		**184**	**41**	**143**		**0.46**	
Impairments and (gain)/loss on disposal of assets, net	**-**		**68**		**68**	**(43)**	**111**		**0.35**	
Litigation (recoveries)/charges, net	**-**		**58**		**58**	**17**	**41**		**0.13**	
Transitional tax benefit, net[3]	**-**		**-**		**-**	**894**	**(894)**		**(2.83)**	
Non-GAAP	**$ 1,861**	**15 %**	**$ 730**	**4 %**	**$ 648**	**$ 171**	**$ 478**	**12 %**	**$ 1.51[4]**	**13 %**
	Second Quarter 2017									
GAAP	$ 1,602	(0)%	$ 542	(4)%	$ 491	$ 167	$ 324	0 %	$ 1.02	4 %
LIFO charges/(credits)	9		9		9	4	5		0.02	
Restructuring and employee severance	-		7		7	2	5		0.01	
Amortization and other acquisition-related costs	-		115		115	39	76		0.24	
Impairments and (gain)/loss on disposal of assets	-		9		9	3	6		0.02	
Litigation (recoveries)/charges, net	-		19		19	7	12		0.04	
Non-GAAP	$ 1,611	(2)%	$ 701	(4)%	$ 650	$ 222	$ 427	(1)%	$ 1.34	3 %

[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]Reflects the estimated net transitional benefit from the re-measurement of our deferred tax assets and liabilities partially offset by the repatriation tax on cash and earnings of foreign subsidiaries. We have not yet completed our analysis of the impact of the Tax Act and, as such, these amounts are provisional estimates and we may record additional provisional amounts or adjustments to the provisional amounts in future periods.
[4]Non-GAAP EPS for the three and six months ended December 31, 2017 includes a $0.20 benefit from applying a lower federal tax rate to our year-to-date U.S. pre-tax non-GAAP earnings. Excluding this benefit, non-GAAP EPS would have been $1.31 and $2.40 for the three and six months ended December 31, 2017, respectively.

The sum of the components may not equal the total due to rounding.
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Cardinal Health, Inc. and Subsidiaries

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] and (7) transitional tax benefit[7]) divided by (earnings before income taxes adjusted for the first 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.

[7]Estimate for the re-measurement of deferred tax assets and liabilities due to the reduction of the U.S. federal corporate income tax rate and the repatriation tax on undistributed foreign earnings.

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Definitions

Non-GAAP Net Earnings attributable to Cardinal Health, Inc. or "Non-GAAP Net Earnings": net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, and (6) loss on extinguishment of debt, and (7) transitional tax benefit, each net of tax.

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

Non-GAAP Return on Equity: (annualized current period net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) restructuring and employee severance, (3) amortization and other acquisition-related costs, (4) impairments and (gain)/loss on disposal of assets, (5) litigation (recoveries)/charges, net, and (6) loss on extinguishment of debt, and (7) transitional tax benefit, each net of tax) divided by average Cardinal Health, Inc. shareholders' equity.

Return on Equity: annualized current period net earnings attributable to Cardinal Health, Inc. divided by average Cardinal Health, Inc. 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.

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