Q2 FY22

CARDINAL HEALTH, INC.
EARNINGS CALL

FEBRUARY 3, 2022

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 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 risks arising from the ongoing COVID-19 pandemic and our critical role in the global healthcare supply chain, including our ability to recoup or mitigate cost increases and inflation, including costs to source certain personal protective or other equipment, increased costs for transportation, shipping, freight and commodities, reduced price or demand for certain products, which may result in additional inventory reserves, possible workforce issues resulting from COVID-19 vaccine mandates and the possible impact of disruptions of our distribution or manufacturing facilities; the possibility that our Medical unit goodwill could be impaired due to the decreased outlook for Medical segment profit or possible unfavorable changes in the U.S. statutory tax rate; competitive pressures in Cardinal Health's various lines of business; 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 with CVS Health; risks associated with the distribution of opioids, including the financial impact associated with the proposed settlement agreement and process we have negotiated with governmental authorities, including the risk that we may fail to reach a final settlement agreement or that a significant number of states and subdivisions may not agree to the proposed settlement agreement, the risk that challenges to our plans to take tax deductions for opioid-related losses could adversely impact our financial results and risks arising from the Department of Justice investigation which we believe concerns our anti-diversion program; risks associated with the manufacture and sourcing of certain products, including risks related to our ability and the ability of third-party manufacturers to comply with applicable regulations; our ability to manage uncertainties associated with the pricing of branded pharmaceuticals; and risks associated with our cost savings initiatives including the possibility that they could fail to achieve the intended results. 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 February 3, 2022. 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.

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Q2 results

Q2 FY22 financial summary

	GAAP Basis ($M) Q2 FY22	Non-GAAP Basis ($M) Q2 FY22
Revenue *% change*	**$45,457** *9%*	**N/A**
Gross Margin *% change*	**$1,616** *(9)%*	**$1,617** *(9)%*
SG&A *% change*	**$1,151** *0%*	**$1,151** *0%*
Operating Earnings/(Loss)[1] *% change*	**$(950)** *N.M.*	**$467** *(26)%*
Interest and Other[2] *% change*	**$24** *(30)%*	**N/A**
Net Earnings[3,4] *% change*	**$49** *N.M.*	**$357** *(31)%*
Diluted EPS[3,4] *% change*	**$0.17** *N.M.*	**$1.27** *(27)%*

[1]GAAP Operating Loss due to a non-cash, pre-tax impairment charge of $1.3 billion related to the Medical segment

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

[3]GAAP Net Earnings and GAAP Diluted EPS reflect the tax effect of the goodwill impairment charge being included in the company's estimated annual GAAP effective tax rate

[4]Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.

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Q2 FY22 Pharmaceutical segment results

	Q2 FY22 ($M)	Q2 FY21 ($M)	YoY change
Revenue	**$41,375**	**$37,236**	**11%**
Segment profit	**$426**	**$413**	**3%**
Segment profit margin	**1.03%**	**1.11%**	**-8 bps**

Drivers:

Revenue

+ Pharmaceutical Distribution
+ Specialty

Segment profit

+ Generics program
- Investments in technology enhancements and higher operations expenses

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Q2 FY22 Medical segment results

	Q2 FY22 ($M)	Q2 FY21 ($M)	YoY change
Revenue	**$4,085**	**$4,310**	**-5%**
Segment profit	**$50**	**$236**	**-79%**
Segment profit margin	**1.22%**	**5.48%**	**-426 bps**

Drivers:

Revenue

- Divestiture of Cordis

Segment profit

- Products and distribution: inflationary impacts and global supply chain constraints
- Timing of selling higher cost PPE (includes net positive impact in prior year)
- Divestiture of Cordis

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

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FY22 outlook

FY22 financial expectations

	FY22 outlook	FY21 actual
Non-GAAP EPS	**$5.15 - $5.50** *Previously $5.60 - $5.90*	$5.57
Interest and other	**$140M - $160M** *Previously $150M - $180M*	$133M
Non-GAAP ETR	**23.0% - 24.5%** *Previously 23.0% - 25.0%*	22.8%
Diluted weighted average shares outstanding	280M - 282M	294M
Capital expenditures	$400M - $450M	$400M

***Bold** indicates an update to the FY22 outlook provided on November 9, 2021*

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.

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FY22 segment outlook

Segment	Revenue	Segment Profit
Pharmaceutical	Low-double digit percentage growth	Mid-single digit percentage growth
Medical	**Low-single digit to mid-single digit percentage decline** *Previously approximately flat*	**Thirty to forty-five percent decline** *Previously mid-single digit to low-double digit percentage decline*

Bold *indicates an update to the FY22 segment outlook provided on November 9, 2021; consistent with the company's financial update on January 10, 2022 of an estimated incremental $150 to $175 million impact to FY22 Medical segment profit*

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FY22 strategic priorities

1 Optimize core businesses

- Focus on optimizing our **global supply chain,** prioritizing **customer experience,** and driving **commercial excellence**
- Maximize **generics program** performance
- Deliver cost savings towards our **5-year, $750M goal**

2 Invest for growth & innovation

- Fuel growth and innovation in our **five strategic growth areas**:
  - Specialty
  - At-Home Solutions
  - Nuclear
  - Medical Services
  - Outcomes
- Support **customer-driven innovations** by focusing on our technology, including our digital capabilities and ordering platforms

3 Deploy capital efficiently

- Prioritize **investment in the business** to drive organic growth
- Maintain a **strong balance sheet** by paying down ~$850M of LT debt
- **Return capital to shareholders** by growing the dividend at a modest rate and with ~$1.0B of share repurchases
- Continue to evaluate **tuck-in M&A** in strategic growth areas

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Long-term targets

Taking action to drive sustainable growth

Pharma — **Low-single digit** to **mid-single digit** segment profit growth



1. **Strengthening our core** Pharmaceutical Distribution business
2. Fueling our **growth businesses:** Specialty, Nuclear, Outcomes

Medical — **Mid-single digit** to **high-single digit** segment profit growth



1. Simplifying our **operating model**
2. Focusing on **driving mix** through **commercial excellence**
3. Fueling our **growth businesses:** at-Home Solutions and Medical Services

+ Capital Allocation — **Balanced, disciplined** and **shareholder-friendly capital deployment**

1. Moderating **debt paydown** = greater flexibility for shareholder return
2. Commitment to **dividend**
3. New **$3.0B share repurchase authorization** expiring December 31, 2024

= ***Double-digit combined Non-GAAP EPS growth and dividend yield on average***

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Environmental, social and governance priorities: 2030 goals

Diversity, equity and inclusion: Representation matters

Specifically, by 2030, our goals are that our workforce representation changes in the following ways:

+8%

Globally, increased representation of **women** at the manager level and above from 40% to **48%**

+6%

In the U.S., increased representation of **African American and Black** employees at the manager level and above from 5% to **11%**

+6%

In the U.S., increased representation of **Asian, Latinx, Indigenous and all other ethnically diverse groups** at the manager level and above from 17% to **23%**

Working to build a more sustainable future



We're committed to reducing our impact on the environment and have set initial targets for **reducing our Scope 1 and 2 greenhouse gas (GHG) emissions by 50% by FY30**, against an FY19 baseline

We are assessing our **Scope 3 emissions** and are working toward validation of a comprehensive Scope 1, 2 and 3 science-based target by the Science-Based Targets initiative (SBTi)

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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/ (Loss)	Operating Earnings Growth Rate	Earnings/ (Loss) Before Income Taxes	Provision for/ (Benefit from) Income Taxes	Net Net Earnings[3]	Net Earnings[3] Growth Rate	Effective Tax Rate	Diluted EPS[3]	Diluted EPS[3] Growth Rate
						Second Quarter 2022							
GAAP	**$ 1,616**	**(9)%**	**1,151**	**- % $**	**(950)**	**N.M. $**	**(973) $**	**(1,022) $**	**49**	**N.M.**	**105.0 % $**	**0.17**	**N.M.**
Surgical gown recall costs/(income)	**1**		**-**		**1**		**1**	**-**	**1**			**-**	
State opioid assessment related to prior fiscal years	**-**		**-**		**-**		**-**	**-**	**-**			**-**	
Restructuring and employee severance	**-**		**-**		**7**		**7**	**2**	**5**			**0.02**	
Amortization and other acquisition-related costs	**-**		**-**		**79**		**79**	**20**	**59**			**0.21**	
Impairments and (gain)/loss on disposal of assets, net[4]	**-**		**-**		**1,295**		**1,295**	**1,080**	**215**			**0.77**	
Litigation (recoveries)/charges, net[5]	**-**		**-**		**34**		**34**	**6**	**28**			**0.10**	
Loss on early extinguishment of debt	**-**		**-**		**-**		**-**	**-**	**-**			**-**	
(Gain)/Loss on sale on equity interest in naviHealth	**-**		**-**		**-**		**(1)**	**-**	**(1)**			**-**	
Non-GAAP	**$ 1,617**	**(9)% $**	**1,151**	**- % $**	**467**	**(26)% $**	**443 $**	**86 $**	**357**	**(31)%**	**19.4 % $**	**1.27**	**(27)%**
						Second Quarter 2021							
GAAP	$ 1,776	4 % $	1,147	(1)% $	461	38 % $	427 $	(203) $	629	N.M.	(47.6)% $	2.13	N.M.
Surgical gown recall costs/(income)	(1)		-		(1)		(1)	-	(1)			-	
Restructuring and employee severance	-		-		20		20	5	15			0.05	
Amortization and other acquisition-related costs	-		-		116		116	29	87			0.29	
Impairments and (gain)/loss on disposal of assets, net	-		-		-		-	-	-			-	
Litigation (recoveries)/charges, net[6]	-		-		32		32	248	(216)			(0.73)	
Non-GAAP	$ 1,775	- % $	1,147	2 % $	628	(3)% $	594 $	79 $	514	15 %	13.2 % $	1.74	14 %

[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] Impairments and (gain)/loss on disposals of assets, net includes a pre-tax impairment charge of $1.3 billion related to our Medical segment recorded in the second quarter of fiscal 2022. For fiscal 2022, the estimated net tax benefit related to the impairment charge is $92 million and is included in the annual effective tax rate. As a result, the amount of tax benefit in the current quarter increased by approximately $1.0 billion and is expected to significantly increase the provision for income taxes during the remainder of the fiscal year.

[5] Litigation (recoveries)/charges, net for the second quarter of fiscal 2022 does not include a $16 million judgement for lost profits related to an ordinary course intellectual property claim, which positively impacted Pharmaceutical segment profit in the quarter.

[6] Litigation(recoveries)/charges, net includes a tax benefit recorded during the three months ended December 31, 2020 related to a net operating loss carryback. Our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self insurance pre-tax loss, which did not impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss was carried back and adjusted our taxable income for fiscal 2015, 2016, 2017 and 2018 as permitted under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. During the six months ended December 31, 2020, the total net benefit was $420 million; however, for purposes of reconciling Non-GAAP financial measures, we allocated $394 million of the benefit to litigation (recoveries)/charges, net, which is excluded from non-GAAP measures, based on the relative amount of the self-insurance pre-tax loss related to opioid litigation claims versus separate tax adjustments. The tax benefit allocated to the separate tax adjustments of $26 million is included in non-GAAP measures.

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.

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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	SG&A[2]	SG&A[2] Growth Rate	Operating Earnings/ (Loss)	Operating Earnings/ (Loss) Growth Rate	Earnings/ (Loss) Before Income Taxes	Provision for/ (Benefit from) Income Taxes	Net Earnings/ (Loss)[3]	Net Earnings/ (Loss)[3] Growth Rate	Effective Tax Rate	Diluted EPS[3]	Diluted EPS[3] Growth Rate
	Fiscal Year 2021												
GAAP	**$ 6,778**	**(1)% $**	**4,533**	**(1)% $**	**472**	**N.M. $**	**323 $**	**(289) $**	**611**	**N.M.**	**(89.7)% $**	**2.08**	**N.M.**
Surgical gown recall costs/(income)	(24)		4		(28)		(28)	(7)	(21)			(0.07)	
State opioid assessment related to prior fiscal years	-		(38)		38		38	9	29			0.10	
Restructuring and employee severance	-		-		114		114	27	87			0.29	
Amortization and other acquisition-related costs	-		-		451		451	118	333			1.13	
Impairments and (gain)/loss on disposal of assets, net	-		-		79		79	15	64			0.21	
Litigation (recoveries)/charges, net[4]	-		-		1,129		1,129	606	523			1.78	
Loss on early extinguishment of debt	-		-		-		14	3	11			0.04	
(Gain)/Loss on sale of equity interest in naviHealth investment					-		2	1	1			0.01	
Non-GAAP	**$ 6,754**	**(2)% $**	**4,499**	**(1)% $**	**2,255**	**(5)% $**	**2,122 $**	**483 $**	**1,637**	**2 %**	**22.8 % $**	**5.57**	**2 %**

[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] Litigation (recoveries)/charges, net includes a pre-tax charge of $1.17 billion recorded in fiscal 2021 related to the opioid litigation. The net tax benefits associated with the opioid litigation charges are $228 million for fiscal 2021.

Litigation(recoveries)/charges, includes a tax benefit recorded during fiscal 2021 related to a net operating loss carryback. Our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss was carried back and adjusted our taxable income for fiscal 2015, 2016, 2017 and 2018 as permitted under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The total benefit from the net operating loss carryback was $424 million; however, for purposes of Non-GAAP financial measures, we allocated $389 million of the benefit to litigation (recoveries)/charges, net, which is excluded from non-GAAP measures, based on the relative amount of the self-insurance pre-tax loss related to opioid litigation claims versus separate tax adjustments. The tax benefit allocated to the separate tax adjustments of $35 million is included in non-GAAP measures.

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.

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Cardinal Health, Inc. and Subsidiaries

Segment Information

Second Quarter

(in millions)	2022	2021	(in millions)	2022	2021
Pharmaceutical			**Medical**		
Revenue			**Revenue**		
Amount	**$ 41,375**	$ 37,236	Amount	**$ 4,085**	$ 4,310
Growth rate	**11 %**	4 %	Growth rate	**(5)%**	7 %
Segment profit [(1)]			**Segment profit**		
Amount	**$ 426**	$ 413	Amount	**$ 50**	$ 236
Growth rate	**3 %**	(11)%	Growth rate	**(79)%**	21 %
Segment profit margin	**1.03 %**	1.11 %	Segment profit margin	**1.22 %**	5.48 %

Year-to-Date

(in millions)	2022	2021	(in millions)	2022	2021
Pharmaceutical			**Medical**		
Revenue			**Revenue**		
Amount	**$ 81,197**	$ 72,348	Amount	**$ 8,234**	$ 8,267
Growth rate	**12 %**	5 %	Growth rate	**- %**	4 %
Segment profit [(1)]			**Segment profit**		
Amount	**$ 832**	$ 815	Amount [1,2]	**$ 173**	$ 466
Growth rate	**2 %**	(5)%	Growth rate	**(63)%**	28 %
Segment profit margin	**1.02 %**	1.13 %	Segment profit margin	**2.10 %**	5.64 %

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

(1) Pharmaceutical segment profit during the three and six months ended December 31, 2021 was positively impacted by a $16 million judgment for lost profits related to an ordinary course intellectual property rights claim.

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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 2022 GAAP results. Over the past five fiscal years, the excluded items have impacted the Company's EPS from $0.75 to $18.06, which includes a $17.54 charge related to the opioid litigation we recognized in fiscal 2020. The excluded items for fiscal 2022 year to date period impacted the Company's EPS by $1.44.

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Cardinal Health, Inc. and Subsidiaries

Definitions

Growth rate calculation: growth rates 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) and surgical gown recall costs/(income).

Non-GAAP distribution, selling, general and administrative expenses or Non-GAAP SG&A: distribution, selling, general and administrative expenses, excluding surgical gown recall costs/(income) and state opioid assessment related to prior fiscal years.

Non-GAAP operating earnings: operating earnings/(loss) excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, and (7) litigation (recoveries)/charges, net.

Non-GAAP earnings before income taxes: earnings/(loss) before income taxes excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on early extinguishment of debt and (9) (gain)/loss on sale of equity interest in naviHealth.

Non-GAAP net earnings attributable to Cardinal Health, Inc.: net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on early extinguishment of debt and (9) (gain)/loss on sale of equity interest in naviHealth, each net of tax, and (10) transitional tax benefit, net.

Non-GAAP effective tax rate: provision for/(benefit from) income taxes adjusted for (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on early extinguishment of debt and (9) (gain)/loss on sale of equity interest in naviHealth, each net of tax, and (10) transitional tax benefit, net divided by (earnings/(loss) before income taxes adjusted for the first nine items).

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.

[1] LIFO charges and credits are excluded because the factors relating to 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] Surgical gown recall costs or income includes inventory write-offs and certain remediation and supply disruption costs, net of related insurance recoveries, arising from the January 2020 recall of select Association for the Advancement of Medical Instrumentation ("AAMI") Level 3 surgical gowns and voluntary field actions (a recall of some packs and a corrective action allowing overlabeling of other packs) for Presource Procedure Packs containing affected gowns. Income from surgical gown recall costs represents insurance recoveries of these certain costs. We have excluded these costs from our non-GAAP metrics to allow investors to better understand the underlying operating results of the business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results.

[3] 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 when the underlying assessments were invalidated by a Court or reimbursed by manufacturers.

[4] Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business.

[5] 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 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.

[6] Impairments and gain or loss on disposal of assets 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. During fiscal 2021, we incurred a tax benefit related to a carryback of a net operating loss. Some pre-tax amounts, which contributed to this loss, relate to litigation charges. As a result, we allocated substantially all of the tax benefit to litigation charges. Additionally, during fiscal 2022 our Pharmaceutical segment profit was positively impacted by a $16 million judgment for lost profits. This judgment was the result of an ordinary course intellectual property rights claim and, therefore, is not adjusted in calculating the litigation recoveries or charges, net adjustment.

[8] Loss on early extinguishment of debt is excluded because it does not typically occur in the normal course of business and may obscure analysis of trends and financial performance. Additionally, the amount and frequency of this type of charge is not consistent and is significantly impacted by the timing and size of debt extinguishment transactions.

[9] (Gain)/Loss on sale of equity interest in naviHealth was incurred in connection with the sale of our remaining equity interest in naviHealth in fiscal 2020. The equity interest was retained in connection with the initial sale of our majority interest in naviHealth during fiscal 2019. We exclude this significant gain because gains or losses on investments of this magnitude do not typically occur in the normal course of business and are similar in nature to a gain or loss from a divestiture of a majority interest, which we exclude from non-GAAP results. The gain on the initial sale of our majority interest in naviHealth in fiscal 2019 was also excluded from our non-GAAP measures.

[10] Transitional tax benefit, net related to the Tax Cuts and Jobs Act is excluded because it results from the one-time impact of a very significant change in the U.S. federal corporate tax rate and, due to the significant size of the benefit, obscures analysis of trends and financial performance. The transitional tax benefit includes the initial estimate and subsequent adjustments 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.

The tax effect for each of the items listed above, other than the transitional tax benefit item, 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.

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