



Q1 FY21

CARDINAL HEALTH, INC.
EARNINGS CALL

NOVEMBER 5, 2020

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 the possibility that deferrals and cancellations of elective medical procedures will result in a sustained reduction in demand for our products, the possibility that we will not be able to recoup or offset cost increases to source certain personal protective or other equipment and the possibility that we will experience supply disruptions of distribution or manufacturing facilities; competitive pressures in Cardinal Health's various lines of business; 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 and other components of our generics pharmaceutical program; risks associated with the distribution of opioids, including the financial impact associated with the outcome of the ongoing lawsuits and investigations by certain governmental and regulatory authorities and risks and uncertainties associated with the ongoing settlement framework discussions, including the risk that we may fail to reach a settlement agreement or that a final settlement could require us to pay more than we currently anticipate; 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 result in greater charges or expenses than we anticipate, could fail to achieve the desired efficiencies or strategic outcomes and could have unintended consequences, such as business disruption or internal controls deficiencies. 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 November 5, 2020. 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 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.

Q1 results

Q1 FY21 financial summary

	GAAP Basis (\$M) Q1 FY21	Non-GAAP Basis (\$M) Q1 FY21
Revenue <i>% change</i>	\$39,065 5%	N/A
Gross Margin <i>% change</i>	\$1,715 2%	\$1,717 2%
SG&A <i>% change</i>	\$1,137 3%	\$1,099 0%
Operating Earnings/(Loss)¹ <i>% change</i>	\$(624) N.M.	\$618 7%
Interest & Other² <i>% change</i>	\$38 (52)%	N/A
Net Earnings/(Loss)^{1,3} <i>% change</i>	\$(253) N.M.	\$445 18%
Diluted EPS^{1,3} <i>% change</i>	\$(0.86) N.M.	\$1.51 19%

¹ GAAP results include a pre-tax charge of \$1.02 billion for the estimated liability associated with lawsuits and claims brought against the company by states and political subdivisions relating to the distribution of prescription opioid pain medications. This is incremental to the \$5.63 billion charge incurred in the first quarter of fiscal year 2020. The total pre-tax accrual for these matters at September 30, 2020 is \$6.59 billion.

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

³ Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.

Q1 FY21 Pharmaceutical segment results

	Q1 FY21 (\$M)	Q1 FY20 (\$M)	YoY change
Revenue	\$35,112	\$33,428	5%
Segment profit	\$402	\$398	1%
Segment profit margin	1.14%	1.19%	-5 bps

Drivers:

Revenue

- + Pharmaceutical Distribution
- + Specialty Solutions

Segment profit

- + Brand sales mix
- COVID-19-related volume declines

Q1 FY21 Medical segment results

	Q1 FY21 (\$M)	Q1 FY20 (\$M)	YoY change
Revenue	\$3,957	\$3,917	1%
Segment profit	\$230	\$170	36%
Segment profit margin	5.81%	4.33%	148 bps

Drivers:

Revenue

- + Cardinal Health at Home

Segment profit

- + Cost savings, including global manufacturing efficiencies
- = Minimal net impact from COVID-19

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

FY21 outlook

FY21 financial expectations

	FY21 outlook	FY20 actual
Non-GAAP EPS	\$5.65 - \$5.95 <i>Previously \$5.25 - \$5.65</i>	\$5.45
Interest and other	\$190M - \$215M	\$237M
Non-GAAP ETR	24.0% - 26.0%	25.1%
Diluted weighted average shares outstanding	292M - 296M	295M
Capital expenditures	\$400M - \$450M	\$375M

Bold indicates an update to the FY21 outlook provided on August 6, 2020

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.

FY21 segment outlook

Segment	Revenue	Profit
Pharmaceutical	Mid-single digit percentage growth	Low-single digit percentage growth
Medical	Mid to high-single digit percentage growth <i>Previously low-single digit percentage growth</i>	Low-double digit percentage growth <i>Previously high-single digit percentage decline</i>

Bold indicates an update to the FY21 segment outlook provided on August 6, 2020

FY21 strategic priorities

Optimize core businesses

- Enhance our global supply chain and drive commercial excellence
- Maximize all aspects of our generics program
- Continue cost savings initiatives

Invest for growth

- Specialty Solutions
- Cardinal Health at-Home Solutions
- Services businesses

Deploy capital efficiently

- Prioritize investment in the business
- Maintain a strong balance sheet
- Return cash to shareholders



Appendix



Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation¹

	Gross Margin	Gross Growth Rate	SG&A ²	SG&A ² Growth Rate	Operating Earnings/ (Loss)	Operating Earnings Growth Rate	Earnings/ (Loss) Before Taxes	Provision for/ (Benefit from) Taxes	Net Earnings/ (Loss) ³	Net Earnings ³ Growth Rate	Effective Tax Rate	Diluted EPS ^{3,4}	Diluted EPS ³ Growth Rate
First Quarter 2021													
GAAP	\$ 1,715	2 %	1,137	3 %	\$ (624)	N.M.	\$ (663)	\$ (410)	(253)	N.M.	61.8 %	(0.86)	N.M.
Surgical gown recall costs	2		3		(1)		(1)	-	(1)			-	
State opioid assessment related to prior fiscal years	-		(41)		41		41	10	31			0.10	
Restructuring and employee severance	-		-		37		37	9	28			0.09	
Amortization and other acquisition-related costs	-		-		118		118	29	89			0.30	
Impairments and (gain)/loss on disposal of assets	-		-		9		9	16	(7)			(0.02)	
Litigation (recoveries)/charges, net ⁵	-		-		1,038		1,038	479	559			1.91	
Loss on early extinguishment of debt	-		-		-		1	1	-			-	
Non-GAAP	\$ 1,717	2 %	1,099	- %	\$ 618	7 %	\$ 580	\$ 134	445	18 %	23.1 %	1.51	19 %
First Quarter 2020													
GAAP	\$ 1,679	1 %	1,107	(4)%	\$ (5,264)	N.M.	\$ (5,344)	\$ (423)	(4,922)	N.M.	7.9 %	(16.65)	N.M.
State opioid assessment related to prior fiscal years	-		(5)		5		5	1	4			0.01	
Restructuring and employee severance	-		-		30		30	8	22			0.08	
Amortization and other acquisition-related costs	-		-		132		132	34	98			0.33	
Impairments and (gain)/loss on disposal of assets	-		-		1		1	-	1			-	
Litigation (recoveries)/charges, net ⁵	-		-		5,673		5,673	498	5,175			17.51	
Non-GAAP	\$ 1,679	1 %	1,102	(2)%	\$ 577	6 %	\$ 496	\$ 117	378	(4)%	23.7 %	1.27	(2)%

¹For more information on these measures, refer to the Use of Non-GAAP Measures and Definitions schedules.

²Distribution, selling, general and administrative expenses.

³Attributable to Cardinal Health, Inc.

⁴First quarter fiscal 2021 and 2020 GAAP diluted loss per share attributable to Cardinal Health, Inc. ("GAAP diluted EPS") and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 293 and 296 million common shares, respectively, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the quarter. First quarter fiscal 2021 and 2020 non-GAAP diluted EPS is calculated using a weighted average of 295 and 297 million common shares, respectively, which includes potentially dilutive shares.

⁵Litigation (recoveries)/charges, net includes pre-tax charges of \$1.02 billion and \$5.63 billion recorded in the first quarter of fiscal 2021 and 2020, respectively, related to the opioid litigation. For fiscal 2021, including the tax effects of opioid litigation charges in the calculation of the estimated annual effective tax rate increased the amount of tax benefit in the current quarter by approximately \$450 million and is expected to significantly increase the provision for income taxes during the remainder of the fiscal year. The current estimate of net tax benefits is \$35 million and \$488 million for fiscal 2021 and 2020 in connection with opioid lawsuit developments.

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.



Cardinal Health, Inc. and Subsidiaries

GAAP / Non-GAAP Reconciliation¹

	Gross		SG&A ²	Operating	Operating	Earnings/ (Loss)	Provision for/ (Benefit from)	Net	Net	Effective	Diluted									
	Margin	Growth										Growth	Earnings/ (Loss)	Earnings/ (Loss) ³	Growth	Tax	EPS ^{3,4}	Growth		
(in millions, except per common share amounts)	Margin	Rate	SG&A ²	Rate	(Loss)	Rate	Income	Income	Earnings/ (Loss) ³	Rate	Rate	Rate								
	Fiscal Year 2020																			
GAAP	\$	6,868	- %	\$	4,572	2 %	\$	(4,098)	N.M.	\$	(3,772)	\$	(79)	\$	(3,696)	N.M.	2.1 %	\$	(12.61)	N.M.
Surgical gown recall costs		48			(37)			85			85		22		63					0.22
State opioid assessment related to prior fiscal years		-			(3)			3			3		1		2					0.01
Restructuring and employee severance		-			-			122			122		29		93					0.31
Amortization and other acquisition-related costs		-			-			524			524		130		394					1.34
Impairments and (gain)/loss on disposal of assets		-			-			7			7		2		5					0.02
Litigation (recoveries)/charges, net ⁵		-			-			5,741			5,741		514		5,227					17.84
Loss on early extinguishment of debt		-			-			-			16		4		12					0.04
Gain on sale of equity interest in navilHealth		-			-			-			(579)		(86)		(493)					(1.68)
Transitional tax benefit, net		-			-			-			-		2		(2)					(0.01)
Non-GAAP	\$	6,916	1 %	\$	4,532	1 %	\$	2,384	1 %	\$	2,147	\$	539	\$	1,605	1 %	25.1 %	\$	5.45	3 %

¹For more information on these measures, refer to the Use of Non-GAAP Measures and Definitions schedules.

²Distribution, selling, general and administrative expenses.

³Attributable to Cardinal Health, Inc.

⁴For fiscal 2020, GAAP diluted loss per share attributable to Cardinal Health, Inc. ("GAAP diluted EPS") and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 293 million common shares, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the quarter. Fiscal 2020 non-GAAP diluted EPS is calculated using a weighted average of 295 million common shares, which includes potentially dilutive shares.

⁵Litigation (recoveries)/charges, net includes a pre-tax charge of \$5.63 billion recorded in the first quarter of fiscal 2020 related to the opioid litigation.

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.



Cardinal Health, Inc. and Subsidiaries
Segment Information

<u>(in millions)</u>	First Quarter				
	2021	2020	<u>(in millions)</u>	2021	2020
Pharmaceutical			Medical		
Revenue			Revenue		
Amount	\$ 35,112	\$ 33,428	Amount	\$ 3,957	\$ 3,917
Growth rate	5 %	6 %	Growth rate	1 %	3 %
Segment profit			Segment profit		
Amount	\$ 402	\$ 398	Amount	\$ 230	\$ 170
Growth rate	1 %	(3)%	Growth rate	36 %	26 %
Segment profit margin	1.14 %	1.19 %	Segment profit margin	5.81 %	4.33 %

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



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 2021 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 2021 impacted the Company's first quarter EPS by \$2.37, which includes a \$1.87 charge related to the opioid litigation.



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.

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

Non-GAAP operating earnings: operating loss excluding (1) LIFO charges/(credits), (2) surgical gown recall costs, (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 effective tax rate: provision for/(benefit from) income taxes adjusted for (1) LIFO charges/(credits), (2) surgical gown recall costs, (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 on sale of equity interest in naviHealth, each net of tax, and (10) transitional tax benefit, net divided by (earnings before income taxes adjusted for the first nine items).

Non-GAAP net earnings attributable to Cardinal Health, Inc.: net loss attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) surgical gown recall costs, (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 on sale of equity interest in naviHealth, each net of tax, and (10) transitional tax benefit, net.

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 that drive 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.

² Surgical gown recall costs includes inventory write-offs and certain remediation and supply disruption costs 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. 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. Reversals of these accruals have occurred when the underlying assessments were invalidated by a Court.

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.

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 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.

