



# Q2 FY21

CARDINAL HEALTH, INC.  
EARNINGS CALL

FEBRUARY 5, 2021

# 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 impact of deferrals and cancellations of elective medical procedures, our ability to recoup or mitigate cost increases to source certain personal protective or other equipment, and the impact of additional 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; risks associated with assumptions and estimates used to calculate the tax benefit associated with our self-insurance loss claims; our ability to manage uncertainties associated with the pricing of branded pharmaceuticals; and risks associated with our cost savings initiatives. 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 5, 2021. 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](http://ir.cardinalhealth.com).

# Q2 results

# Q2 FY21 financial summary

	GAAP Basis (\$M) Q2 FY21	Non-GAAP Basis (\$M) Q2 FY21
<b>Revenue</b> % change	<b>\$41,541</b> 5%	<b>N/A</b>
<b>Gross Margin</b> % change	<b>\$1,776</b> 4%	<b>\$1,775</b> -- %
<b>SG&amp;A</b> % change	<b>\$1,147</b> (1)%	<b>\$1,147</b> 2%
<b>Operating Earnings</b> % change	<b>\$461<sup>1</sup></b> 38%	<b>\$628</b> (3)%
<b>Interest &amp; Other<sup>2</sup></b> % change	<b>\$34</b> (33)%	<b>N/A</b>
<b>Net Earnings<sup>3</sup></b> % change	<b>\$629</b> N.M.	<b>\$514</b> 15%
<b>Diluted EPS<sup>3</sup></b> % change	<b>\$2.13</b> N.M.	<b>\$1.74</b> 14%

<sup>1</sup> This increase is primarily due to the beneficial comparison to the prior-year charge related to voluntary surgical gown recalls

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

<sup>3</sup> Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.

# Q2 FY21 Medical segment results

	Q2 FY21 (\$M)	Q2 FY20 (\$M)	YoY change
Revenue	\$4,310	\$4,023	7%
Segment profit	\$236	\$195	21%
Segment profit margin	5.48%	4.86%	+62 bps

## Drivers:

### Revenue

- + COVID-19: PPE and lab testing, partially offset by elective procedures

### Segment profit

- + COVID-19: Lab testing and PPE, partially offset by elective procedures
- + Cost savings: including global manufacturing efficiencies

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

# Q2 FY21 Pharmaceutical segment results

	Q2 FY21 (\$M)	Q2 FY20 (\$M)	YoY change
Revenue	\$37,236	\$35,714	4%
Segment profit	\$413	\$462	-11%
Segment profit margin	1.11%	1.29%	-18 bps

## Drivers:

### Revenue

- + Pharmaceutical Distribution
- + Specialty Solutions

### Segment profit

- COVID-19-related volume declines
  - Generics program
  - Nuclear and Precision Health Solutions
- + Brand sales mix

# FY21 outlook

# FY21 financial expectations

	Updated FY21 outlook	Prior FY21 outlook	FY20 actual
Non-GAAP EPS	<b>\$5.85 - \$6.10</b>	\$5.65 – \$5.95	\$5.45
Interest and other	<b>\$165M - \$185M</b>	\$190M - \$215M	\$237M
Non-GAAP ETR	<b>23.0% - 25.0%</b>	24.0% - 26.0%	25.1%
Diluted weighted average shares outstanding	<b>294M - 295M</b>	292M – 296M	295M
Capital expenditures	<b>\$400M - \$450M</b>	\$400M - \$450M	\$375M

***Bold** indicates an update to the FY21 outlook provided on November 5, 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.



# FY21 segment outlook

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

**Bold** indicates an update to the FY21 segment outlook provided on November 5, 2021

# 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
- Nuclear and Precision Health 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 Reconciliation<sup>1</sup>

	Gross Margin	Gross Growth Rate	SG&A <sup>2</sup>	SG&A <sup>2</sup> Growth Rate	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Taxes	Provision for/ (Benefit from) Taxes	Net Earnings <sup>3</sup>	Net Earnings <sup>3</sup> Growth Rate	Effective Tax Rate	Diluted EPS <sup>3</sup>	Diluted EPS <sup>3</sup> Growth Rate								
Second Quarter 2021																					
<b>GAAP</b>	\$	1,776	4 %	\$	1,147	(1)%	\$	461	38 %	\$	427	\$	(203)	\$	629	N.M.	(47.6)%	\$	2.13	N.M.	
Surgical gown recall costs		(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
Litigation (recoveries)/charges, net <sup>4</sup>		-			-		32		32		248		(216)								(0.73)
<b>Non-GAAP</b>	\$	1,775	- %	\$	1,147	2 %	\$	628	(3)%	\$	594	\$	79	\$	514	15 %	13.2 %	\$	1.74		14 %
Second Quarter 2020																					
<b>GAAP</b>	\$	1,714	(1)%	\$	1,163	9 %	\$	334	(34)%	\$	279	\$	59	\$	220	(21)%	21.0 %	\$	0.75		(19)%
Surgical gown recall costs		56			(40)		96		96		25		71								0.24
State opioid assessment related to prior fiscal years		-			1		(1)		(1)		-		(1)								-
Restructuring and employee severance		-			-		56		56		14		42								0.14
Amortization and other acquisition-related costs		-			-		133		133		33		100								0.34
Impairments and (gain)/loss on disposal of assets, net		-			-		7		7		2		5								0.02
Litigation (recoveries)/charges, net		-			-		21		21		3		18								0.06
Loss on early extinguishment of debt		-			-		-		4		1		3								0.01
Transitional tax benefit, net		-			-		-		-		11		(11)								(0.04)
<b>Non-GAAP</b>	\$	1,770	2 %	\$	1,124	3 %	\$	646	1 %	\$	596	\$	148	\$	448	16 %	24.8 %	\$	1.52		18 %

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

<sup>2</sup> Distribution, selling, general and administrative expenses.

<sup>3</sup> Attributable to Cardinal Health, Inc.

<sup>4</sup> Litigation (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, the amount of tax expense increased by approximately \$150 million during the three months ended December 31, 2020 while the amount of tax benefit increased by approximately \$300 million during the six months ended December 31, 2020 compared to the tax impacts that would have been recognized without the opioid litigation charge. The treatment of the tax impacts of opioid litigation charges is expected to significantly increase the provision for income taxes during the remainder of the fiscal year. The net tax benefits associated with the opioid litigation charges are \$35 million and \$488 million for fiscal 2021 and 2020, respectively.

Litigation (recoveries)/charges, net also 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 the opioid litigation charges previously accrued in our consolidated financial statements. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, is currently deductible on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss is being carried back and applied to adjust our taxable income for fiscal 2015, 2016, 2017 and 2018 as permitted under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. 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. As the fiscal year 2020 federal return is finalized, both the tax benefit and 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  
GAAP / Non-GAAP Reconciliation<sup>1</sup>

	Gross Margin	Growth Rate	SG&A <sup>2</sup>	Growth Rate	Operating Earnings/ (Loss)	Growth Rate	Earnings/ (Loss) Before Income Taxes	Provision for/ (Benefit from) Income Taxes	Net Earnings/ (Loss) <sup>3</sup>	Net Earnings/ (Loss) <sup>3</sup>	Growth Rate	Effective Tax Rate	Diluted EPS <sup>3,4</sup>	Diluted Growth Rate
Fiscal Year 2020														
<b>GAAP</b>	\$ 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, net	-		-		7		7	2	5				0.02	
Litigation (recoveries)/charges, net <sup>5</sup>	-		-		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 naviHealth	-		-		-		(579)	(86)	(493)				(1.68)	
Transitional tax benefit, net	-		-		-		-	2	(2)				(0.01)	
<b>Non-GAAP</b>	\$ 6,916	1 %	\$ 4,532	1 %	\$ 2,384	1 %	\$ 2,147	\$ 539	\$ 1,605	1 %	25.1 %	\$ 5.45	3 %	

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

<sup>2</sup> Distribution, selling, general and administrative expenses.

<sup>3</sup> Attributable to Cardinal Health, Inc.

<sup>4</sup> For 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.

<sup>5</sup> Litigation (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

Second Quarter									
(in millions)	2021		2020		(in millions)	2021		2020	
Pharmaceutical					Medical				
<b>Revenue</b>					<b>Revenue</b>				
Amount	\$	37,236	\$	35,714	Amount	\$	4,310	\$	4,023
Growth rate		4 %		6 %	Growth rate		7 %		- %
<b>Segment profit</b>					<b>Segment profit</b>				
Amount	\$	413	\$	462	Amount	\$	236	\$	195
Growth rate		(11)%		4 %	Growth rate		21 %		4 %
Segment profit margin		1.11 %		1.29 %	Segment profit margin		5.48 %		4.86 %

Year-to-Date									
(in millions)	2021		2020		(in millions)	2021		2020	
Pharmaceutical					Medical				
<b>Revenue</b>					<b>Revenue</b>				
Amount	\$	72,348	\$	69,142	Amount	\$	8,267	\$	7,940
Growth rate		5 %		6 %	Growth rate		4 %		2 %
<b>Segment profit</b>					<b>Segment profit</b>				
Amount	\$	815	\$	860	Amount	\$	466	\$	365
Growth rate		(5)%		1 %	Growth rate		28 %		13 %
Segment profit margin		1.13 %		1.24 %	Segment profit margin		5.64 %		4.60 %

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 year to date period impacted the Company's EPS by \$1.99, which includes a \$2.38 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 surgical gown recall costs 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, (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, (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 and (8) loss on early extinguishment of debt

**Non-GAAP net earnings attributable to Cardinal Health, Inc.:** net earnings/(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, each net of tax, and (9) 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, (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 extinguishment of debt, and (9) transitional tax benefit, (net) divided by (earnings/(loss) before income taxes adjusted for the first eight 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.

<sup>1</sup> 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.

<sup>2</sup> 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 overlabeled 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.

<sup>3</sup> 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.

<sup>4</sup> Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business.

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> 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 a portion of the tax benefit to litigation charges.

<sup>8</sup> Loss on 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.

<sup>9</sup> 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.

