



# Q4 FY21

CARDINAL HEALTH, INC.  
EARNINGS CALL

AUGUST 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 ongoing volume reductions in our generics program, our ability to recoup or mitigate cost increases to source certain personal protective or other equipment or reduced price or demand for such personal protective equipment resulting in additional inventory reserves, and the possible impact of disruptions of our distribution or manufacturing facilities; 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 sign on the proposed settlement agreement, and the risk that challenges to our plans to take tax deductions for opioid-related losses could adversely impact our financial results; 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. 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 August 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).

# FY21 highlights

## Financial Performance

- Grew revenue 6% versus the prior year to \$162B
- Grew non-GAAP EPS, despite ~\$200M year-over-year non-GAAP operating earnings headwind related to COVID-19
- Surpassed enterprise cost savings target for 3<sup>rd</sup> consecutive year

## Capital Deployment

- Returned nearly \$800M to shareholders through dividends and share repurchases
- Strengthened balance sheet by paying down ~\$550M of long-term debt

## Portfolio & Strategic Positioning

- As a result of continued portfolio evaluation, agreed to divest Cordis business for ~\$1B in proceeds, transaction completed in August 2021
- Continued investments and partnerships in strategic growth areas and innovation

## COVID-19 Response & Partnerships

- Partnered with CDC as a network administrator to enable retail independent, small chain, and LTC pharmacy customers to participate in COVID-19 vaccination effort
- Awarded Strategic National Stockpile contract to store and distribute PPE

# Q4 results

# Q4 FY21 financial summary

	GAAP Basis (\$M) Q4 FY21	Non-GAAP Basis (\$M) Q4 FY21
<b>Revenue</b> <i>% change</i>	<b>\$42,586</b> 16%	<b>N/A</b>
<b>Gross margin<sup>1</sup></b> <i>% change</i>	<b>\$1,475</b> (7)%	<b>\$1,451</b> (8)%
<b>SG&amp;A</b> <i>% change</i>	<b>\$1,129</b> (1)%	<b>\$1,132</b> (1)%
<b>Operating earnings</b> <i>% change</i>	<b>\$162</b> (40)%	<b>\$320</b> (28)%
<b>Interest and other<sup>2</sup></b> <i>% change</i>	<b>\$28</b> 4%	<b>N/A</b>
<b>Net earnings<sup>3</sup></b> <i>% change</i>	<b>\$116</b> N.M.	<b>\$227</b> (26)%
<b>Diluted EPS<sup>3</sup></b> <i>% change</i>	<b>\$0.40</b> N.M.	<b>\$0.77</b> (26)%

<sup>1</sup>Includes \$197 million inventory reserve on certain PPE products

<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.

# Q4 FY21 Pharmaceutical segment results

	Q4 FY21 (\$M)	Q4 FY20 (\$M)	YoY change
Revenue	\$38,344	\$33,241	15%
Segment profit	\$358	\$359	0%
Segment profit margin	0.93%	1.08%	-15 bps

## Drivers:

### Revenue

- + Pharmaceutical Distribution
- + Specialty Solutions
- + Reduced pharmaceutical demand in the prior year related to COVID-19

### Segment profit

- + COVID-19-related volume recovery in the Nuclear and Precision Health Solutions business
- Pharmaceutical Distribution customer contract renewals

# Q4 FY21 Medical segment results

	Q4 FY21 (\$M)	Q4 FY20 (\$M)	YoY change
Revenue	\$4,246	\$3,453	23%
Segment profit	-\$63	\$120	-153%
Segment profit margin	-1.50%	3.49%	-498 bps

## Drivers:

### Revenue

- + COVID-19: Elective procedures and PPE pricing

### Segment profit

- COVID-19: Inventory reserve on certain PPE products, partially offset by recovery of elective procedure volumes
- Elevated supply chain costs
- + Cost savings initiatives

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

# FY21 results



# FY21 financial summary

	GAAP Basis (\$M) FY21	Non-GAAP Basis (\$M) FY21
<b>Revenue</b> <i>% change</i>	<b>\$162,467</b> 6%	<b>N/A</b>
<b>Gross Margin</b> <i>% change</i>	<b>\$6,778</b> (1)%	<b>\$6,754</b> (2)%
<b>SG&amp;A</b> <i>% change</i>	<b>\$4,533</b> (1)%	<b>\$4,499</b> (1)%
<b>Operating Earnings<sup>1</sup></b> <i>% change</i>	<b>\$472</b> N.M.	<b>\$2,255</b> (5)%
<b>Interest &amp; Other<sup>2</sup></b> <i>% change</i>	<b>\$133</b> (44)%	<b>N/A</b>
<b>Net Earnings<sup>3</sup></b> <i>% change</i>	<b>\$611</b> N.M.	<b>\$1,637</b> 2%
<b>Diluted EPS<sup>3</sup></b> <i>% change</i>	<b>\$2.08</b> N.M.	<b>\$5.57</b> 2%

<sup>1</sup> GAAP results include a pre-tax charge of \$1.17 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 June 30, 2021 is \$6.73 billion.

<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.

# FY21 Pharmaceutical segment results

	FY21 (\$M)	FY20 (\$M)	YoY change
Revenue	\$145,796	\$137,495	6%
Segment profit	\$1,684	\$1,753	-4%
Segment profit margin	1.15%	1.28%	-12 bps

## Drivers:

### Revenue

- + Pharmaceutical Distribution
- + Specialty Solutions

### Segment profit

- Generics program volume declines, including the impact of COVID-19
- + Brand sales mix

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

# FY21 Medical segment results

	FY21 (\$M)	FY20 (\$M)	YoY change
Revenue	\$16,687	\$15,444	8%
Segment profit	\$577	\$663	-13%
Segment profit margin	3.46%	4.30%	-84 bps

## Drivers:

### Revenue

- + COVID-19: PPE and lab volumes

### Segment profit

- COVID-19: Inventory reserve on certain PPE products, partially offset by lab volumes
- + Cost savings initiatives

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

# FY22 outlook

# FY22 financial expectations

	FY22 outlook	FY21 actual
Non-GAAP EPS	\$5.60 - \$5.90	\$5.57
Interest and other	\$150M - \$180M	\$133M
Non-GAAP ETR	23.5% - 25.5%	22.8%
Diluted weighted average shares outstanding	287M - 292M	294M
Capital expenditures	\$400M - \$450M	\$400M

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.

# FY22 Pharmaceutical segment outlook

Revenue	Segment Profit	“Normalized” Segment Profit <sup>1</sup>
High-single digit percentage growth	Mid-single digit percentage growth	Low to mid-single digit percentage growth

**Key assumptions**

- COVID-19: Overall segment profit tailwind compared to prior year of ~\$100M
  - Volume recovery in certain generic therapeutic classes by end of calendar year 2021
- Consistent market dynamics within our generics program
- Investing incremental ~\$80M in technology enhancements to drive growth and efficiencies across the segment
- Similar contingent brand inflation rate, continued less dollar contribution each year
- Opioid-related legal costs of ~\$125M, an increase of \$10M vs. FY21
- Increased contribution from strategic growth areas: Specialty (including biosimilars), Nuclear, and Outcomes

<sup>1</sup>Excludes impacts of COVID-19 and significant technology investments



# FY22 Medical segment outlook

Revenue	Segment Profit	“Normalized” Segment Profit <sup>1</sup>
Approximately flat	Low-double digit percentage growth	Mid to high-single digit percentage growth

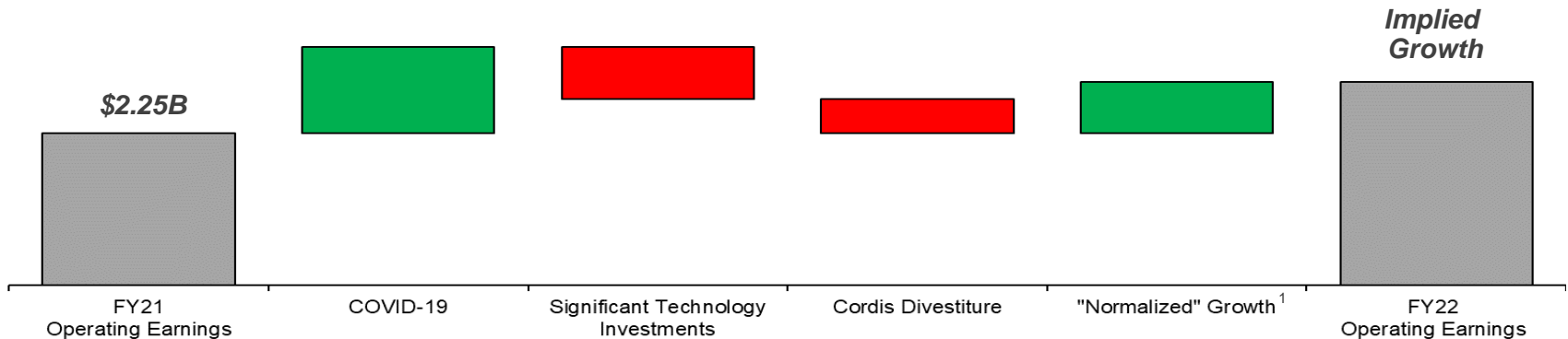
### Key assumptions

- COVID-19: Overall segment profit tailwind compared to prior year of ~\$100M
  - Elective procedures to remain at or near pre-COVID-19 levels for duration of FY22
  - Moderate year-over-year headwinds due to timing of selling higher cost PPE and lab testing
  - Includes favorable comparison of the prior year inventory charge in Q4
- ~\$80M unfavorable impact due to Cordis divestiture
- Elevated supply chain costs offsetting benefits from global manufacturing and supply chain transformation
- Investing incremental ~\$20M in technology enhancements to drive growth and efficiencies in at-Home
- Increased contribution from strategic growth areas: at-Home and Services

<sup>1</sup>Excludes impacts of COVID-19, Cordis divestiture, and significant technology investments



# FY22 Operating earnings bridge



## Key Assumptions

- FY22 operating earnings implied growth driven primarily by contributions from strategic growth areas and cost savings initiatives
- ~\$200M year-over-year COVID-19 tailwind, split evenly across both segments
- Investing incremental ~\$120M in technology enhancements across the enterprise to drive growth and efficiencies
- ~\$80M unfavorable impact due to Cordis divestiture

<sup>1</sup>Excludes impacts of COVID-19, Cordis divestiture, and significant technology investments



# 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
  - 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 \$500M to \$1.0B of share repurchases
- Continue to evaluate **tuck in M&A** in strategic growth areas

# Optimizing core businesses

1

## Updates & key actions in progress

### Across the Enterprise

- Launching initiatives to deliver **additional \$250M in savings** by FY23 (\$750M cumulative cost savings vs. FY18 baseline)
- Investing incremental ~\$120M in FY22 in **technology enhancements** to drive growth and efficiencies

### Medical

- **Divested Cordis business** for ~\$1B in proceeds, transaction closed August 2, 2021
- **Simplifying our international footprint** while optimizing our commercial models to drive focused, sustainable long-term growth
- Transitioning from managing COVID-19 response, to a renewed focus on **driving commercial excellence** and **customer satisfaction**
- Investing in added **supply chain resiliency** and **customer visibility**

### Pharmaceutical

- Making significant investments to enhance our **technology infrastructure** and improve our **digital capabilities**
- Extended **Red Oak Sourcing** agreement with CVS Health
- Launched **technology solutions** for retail customers



# Investing in Growth Areas & Innovation

2

## Updates & key actions in progress

*Expecting double-digit FY22 revenue and profit growth, in aggregate:*

### Specialty Solutions

- Continuing **commercial momentum** in Biopharma services, including new program wins and strength in supporting cell and gene therapy
- **Launching new solutions** to support core provider offerings

### at-Home

- Investing ~\$20M in **digital and technology** to enhance customer experience while driving operational efficiency and volume growth
- **Expanding warehouse network** to drive growth in key strategic markets

### Nuclear and Precision Health Solutions

- Growth over the next several years driven by **new customer wins** and **theranostics**
- Supporting **over 25 clinical trials** for novel theranostics
- Investing in **expansion of PET capabilities** to meet anticipated future demand

### Medical Services

- Implementing **tech-enabled** OptiFreight® logistics capabilities and platform to drive customer experience and operational efficiency
- Leveraging WaveMark™ **digitally automated supply chain** capabilities to better connect providers and manufacturers

### Outcomes

- Growth fueled by **key wins and renewals**
- Expanding direct-to-patient **digital footprint** >30% and implementing **new patient adherence programs**

# Deploying Capital Efficiently

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## Priorities

## FY22 guidance assumption



**Invest in the business**

Capital expenditures of **\$400M to \$450M** and incremental technology investments of **~\$120M**



**Strengthen our balance sheet**

Debt paydown of **~\$850M** to complete June 2022 debt tower



**Return cash to shareholders**

**1% dividend increase** for FY22<sup>1</sup>

Share repurchases of **\$500M to \$1.0B**

Opportunistically evaluate tuck-in **M&A/partnerships** in growth areas

***Priorities enabled by continued strong cash flow generation***

<sup>1</sup>Dividend increase previously announced on May 6, 2021

# Appendix



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	Growth Rate	Operating Earnings Before Income Taxes	Growth Rate	Provision for Income Taxes	Net Earnings <sup>3</sup>	Growth Rate	Effective Tax Rate	Diluted EPS <sup>3</sup>	Diluted Growth Rate
(in millions, except per common share amounts)														
Fourth Quarter 2021														
<b>GAAP</b>	\$ 1,475	(7)%	\$ 1,129	(1)%	\$ 162	(40)%	\$ 119	\$ 4	\$ 116	N.M.	2.6 %	\$ 0.40	N.M.	
Surgical gown recall costs/(income)	(24)		2		(26)		(26)	(7)	(19)				(0.06)	
State opioid assessment related to prior fiscal years	-		-		-		-	-	-				-	
Restructuring and employee severance	-		-		33		33	8	25				0.08	
Amortization and other acquisition-related costs	-		-		106		106	32	74				0.25	
Impairments and (gain)/loss on disposal of assets, net	-		-		1		1	3	(2)				(0.02)	
Litigation (recoveries)/charges, net <sup>4</sup>	-		-		44		44	22	22				0.07	
Loss on early extinguishment of debt	-		-		-		14	3	11				0.04	
(Gain)/Loss on sale of equity interest in navIHHealth investment	-		-		-		2	1	1				0.01	
<b>Non-GAAP</b>	\$ 1,451	(8)%	\$ 1,132	(1)%	\$ 320	(28)%	\$ 292	\$ 66	\$ 227	(26)%	22.6 %	\$ 0.77	(26)%	
Fourth Quarter 2020														
<b>GAAP</b>	\$ 1,590	(5)%	\$ 1,137	(3)%	\$ 270	(12)%	\$ 815	\$ 158	\$ 656	N.M.	19.4 %	\$ 2.23	N.M.	
Surgical gown recall costs/(income)	(7)		3		(10)		(10)	(3)	(7)				(0.02)	
State opioid assessment related to prior fiscal years	-		1		(1)		(1)	-	(1)				-	
Restructuring and employee severance	-		-		42		42	10	32				0.11	
Amortization and other acquisition-related costs	-		-		129		129	32	97				0.33	
Litigation (recoveries)/charges, net	-		-		12		12	5	7				0.02	
Loss on early extinguishment of debt	-		-		-		7	2	5				0.02	
(Gain)/Loss on sale of equity interest in navIHHealth investment	-		-		-		(579)	(86)	(493)				(1.68)	
Transitional tax benefit, net	-		-		-		-	(9)	9				0.03	
<b>Non-GAAP</b>	\$ 1,583	(5)%	\$ 1,141	(2)%	\$ 442	(13)%	\$ 415	\$ 110	\$ 305	(9)%	26.4 %	\$ 1.04	(6)%	

<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 \$1.17 billion and \$5.63 billion recorded in fiscal 2021 and 2020, respectively, related to the opioid litigation. During three months ended June 30, 2021, pre-tax charges of \$149 million were recorded related to the opioid litigation. The amount of tax benefit increased by approximately \$50 million during the three months ended June 30, 2021 compared to the tax impacts that would have been recognized without the opioid litigation charge. The net tax benefits associated with the opioid litigation charges are \$228 million and \$488 million for fiscal 2021 and 2020, respectively.

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	Gross Growth Rate	SG&A <sup>2</sup> Growth Rate	Operating Earnings/ (Loss)	Operating 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 2021													
<b>GAAP</b>	\$ 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 <sup>5</sup>	-		-		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	
<b>Non-GAAP</b>	\$ 6,754	(2)%	\$ 4,499	(1)%	\$ 2,255	(5)%	\$ 2,122	\$ 483	\$ 1,637	2%	22.8%	\$ 5.57	2%
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/(income)	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)/Loss on sale of equity interest in naviHealth investment	-		-		-		(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 period. 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 pre-tax charges of \$1.17 billion and \$5.63 billion recorded in fiscal 2021 and 2020, respectively, related to the opioid litigation. The net tax benefits associated with the opioid litigation charges are \$228 million and \$488 million for fiscal 2021 and 2020, respectively.

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.

## Segment Information

Fourth Quarter									
(in millions)	2021		2020		(in millions)	2021		2020	
<b>Pharmaceutical</b>					<b>Medical</b>				
<b>Revenue</b>					<b>Revenue</b>				
Amount	\$	38,344	\$	33,241	Amount	\$	4,246	\$	3,453
Growth rate		15 %		- %	Growth rate		23 %		13 %
<b>Segment profit</b>					<b>Segment profit</b>				
Amount	\$	358	\$	359	Amount <sup>1</sup>	\$	(63)	\$	120
Growth rate		- %		(20)%	Growth rate		(153)%		24 %
Segment profit margin		0.93 %		1.08 %	Segment profit margin		(1.50)%		3.49 %

Fiscal Year									
(in millions)	2021		2020		(in millions)	2021		2020	
<b>Pharmaceutical</b>					<b>Medical</b>				
<b>Revenue</b>					<b>Revenue</b>				
Amount	\$	145,796	\$	137,495	Amount	\$	16,687	\$	15,444
Growth rate		6 %		6 %	Growth rate		8 %		(1)%
<b>Segment profit</b>					<b>Segment profit</b>				
Amount	\$	1,684	\$	1,753	Amount <sup>1,2</sup>	\$	577	\$	663
Growth rate		(4)%		(4)%	Growth rate		(13)%		15 %
Segment profit margin		1.15 %		1.28 %	Segment profit margin		3.46 %		4.30 %

<sup>1</sup> Medical segment profit/(loss) for the three months ended June 30, 2021 and fiscal 2021 includes a reserve of \$197 million to reduce the carrying value of certain personal protective equipment to its net realizable value.

<sup>2</sup> Medical segment profit for fiscal 2020 does not include \$85 million incurred for inventory write-offs and certain remediation and supply disruption costs associated with fiscal 2020 voluntary surgical gown-related recalls.

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 EPS by \$3.49, which includes a \$3.21 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/(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/(loss) 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 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.

<sup>1</sup> 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.

<sup>2</sup> 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 overlabeled 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.

<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. 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.

<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 substantially all of the tax benefit to litigation charges.

<sup>8</sup> 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.

<sup>9</sup> (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.

<sup>10</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.