



Q3 FY21

CARDINAL HEALTH, INC.
EARNINGS CALL

MAY 6, 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 our ability to recoup or mitigate cost increases to source certain personal protective or other equipment, and the possible impact of additional 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 outcome of ongoing lawsuits and investigations and risks and uncertainties associated with the ongoing settlement framework discussions with governmental authorities, including the risk that we may fail to reach a settlement agreement or that a final settlement or judicial decision could require us to pay more than we currently anticipate and the risk that the Congressional inquiry on our plan 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; risks arising from the planned divestiture of our Cordis business, including the risk that we may not receive required regulatory approvals or that we may not be able to complete the divestiture in a timely manner and risks that we may fail to achieve the anticipated strategic objectives from the divestiture; 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 May 6, 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.

Q3 results

Q3 FY21 financial summary

	GAAP Basis (\$M) Q3 FY21	Non-GAAP Basis (\$M) Q3 FY21
Revenue % change	\$39,275 -- %	N/A
Gross margin % change	\$1,812 (4)%	\$1,811 (4)%
SG&A % change	\$1,120 (4)%	\$1,121 (4)%
Operating earnings % change	\$473¹ (16)%	\$689 (4)%
Interest and other² % change	\$33 N.M.	N/A
Net earnings³ % change	\$119⁴ N.M.	\$451 (5)%
Diluted EPS³ % change	\$0.40⁴ N.M.	\$1.53 (6)%

¹ This decrease is primarily due to the write-down of the net assets held for sale from the planned divestiture of the Cordis business.

² The sum of "other (income)/expense, net" and "interest expense, net"; I&O driven primarily by an increase in the value of the company's deferred compensation plan investments, lower interest expense from prior period debt reduction, and one-time investment gains.

³ Attributable to Cardinal Health, Inc.

⁴ GAAP results include the tax effect of the previously-disclosed opioid litigation charge.

Please see appendix for GAAP to Non-GAAP reconciliations.

Q3 FY21 Pharmaceutical segment results

	Q3 FY21 (\$M)	Q3 FY20 (\$M)	YoY change
Revenue	\$35,104	\$35,112	0%
Segment profit	\$511	\$534	-4%
Segment profit margin	1.46%	1.52%	-6 bps

Drivers:

Revenue

- + Pharmaceutical Distribution
- + Specialty Solutions
- Prior year comparison of COVID-19-related sales acceleration

Segment profit

- COVID-19-related volume declines in the company's generics program¹
- + Brand sales mix

¹Includes the prior year comparison of COVID-19-related sales acceleration

Q3 FY21 Medical segment results

	Q3 FY21 (\$M)	Q3 FY20 (\$M)	YoY change
Revenue	\$4,174	\$4,051	3%
Segment profit	\$174	\$178	-2%
Segment profit margin	4.18%	4.39%	-21 bps

Drivers:

Revenue

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

Segment profit

- + Cost savings, including global manufacturing efficiencies
- Products and distribution

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

FY21 outlook

FY21 financial expectations

	Updated FY21 outlook	Prior FY21 outlook	FY20 actual
Non-GAAP EPS	\$5.90 – \$6.05	\$5.85 – \$6.10	\$5.45
Interest and other	\$145M – \$160M	\$165M - \$185M	\$237M
Non-GAAP ETR	23.5% – 25.0%	23.0% - 25.0%	25.1%
Diluted weighted average shares outstanding	~294M	294M – 295M	295M
Capital expenditures	\$400M – \$430M	\$400M - \$450M	\$375M

Bold indicates an update to the FY21 outlook provided on February 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	Flat to low-single digit percentage decline <i>Previously low-single digit percentage growth</i>
Medical	High-single to low-double digit percentage growth	Low to mid-twenties percentage growth

Bold indicates an update to the FY21 segment outlook provided on February 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 Reconciliation¹

	Gross Margin		SG&A ²		Operating Earnings		Earnings Before Provision for Taxes		Net Earnings ³		Effective Tax		Diluted EPS ³							
	Margin	Rate	SG&A ²	Rate	Operating Earnings	Rate	Income Taxes	Income Taxes	Net Earnings ³	Rate	Rate	Diluted EPS ³	Rate							
(in millions, except per common share amounts)																				
Third Quarter 2021																				
GAAP	\$	1,812	(4)%	\$	1,120	(4)%	\$	473	(16)%	\$	440	\$	320	\$	119	N.M.	72.8%	\$	0.40	N.M.
Surgical gown recall costs		(1)					(1)			(1)					(1)					-
State opioid assessment related to prior fiscal years		-			2		(2)			(2)					(1)					-
Restructuring and employee severance		-			-		24			24					6					0.06
Amortization and other acquisition-related costs		-			-		111			111					28					0.28
Impairments and (gain)/loss on disposal of assets, net		-			-		69			69					(4)					0.25
Litigation (recoveries)/charges, net ⁴		-			-		15			15					(144)					0.54
Non-GAAP	\$	1,811	(4)%	\$	1,121	(4)%	\$	689	(4)%	\$	657	\$	205	\$	451	(5)%	31.2%	\$	1.53	(6)%
Third Quarter 2020																				
GAAP	\$	1,885	7%	\$	1,165	6%	\$	562	30%	\$	478	\$	127	\$	350	18%	26.8%	\$	1.19	20%
Surgical gown recall costs		(1)			-		(1)			(1)					-					-
Restructuring and employee severance		-			-		(6)			(6)					(3)					(0.01)
Amortization and other acquisition-related costs		-			-		130			130					31					0.34
Impairments and (gain)/loss on disposal of assets, net		-			-		(1)			(1)					(1)					-
Litigation (recoveries)/charges, net		-			-		35			35					8					0.09
Loss on early extinguishment of debt		-			-		-			5					1					0.01
Transitional tax benefit, net		-			-		-			-					1					-
Non-GAAP	\$	1,884	7%	\$	1,165	6%	\$	719	8%	\$	639	\$	164	\$	474	-%	25.7%	\$	1.62	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 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 \$140 million during the three months ended March 31, 2021 while the amount of tax benefit increased by approximately \$180 million during the nine months ended March 31, 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 \$37 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 Reconciliation¹

	Gross Margin	Gross Growth Rate	SG&A ² Growth Rate	Operating Earnings/ (Loss)	Operating Earnings 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 ^{3,4}	Diluted EPS ³ Growth 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, net	-		-		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 naviHealth	-		-		-		(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 %

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 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.

⁵ 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

Third Quarter

(in millions)	2021		2020		(in millions)	2021		2020	
Pharmaceutical					Medical				
Revenue					Revenue				
Amount	\$	35,104	\$	35,112	Amount	\$	4,174	\$	4,051
Growth rate		- %		12 %	Growth rate		3 %		5 %
Segment profit					Segment profit				
Amount	\$	511	\$	534	Amount	\$	174	\$	178
Growth rate		(4)%		- %	Growth rate		(2)%		15 %
Segment profit margin		1.46 %		1.52 %	Segment profit margin		4.18 %		4.39 %

Year-to-Date

(in millions)	2021		2020		(in millions)	2021		2020	
Pharmaceutical					Medical				
Revenue					Revenue				
Amount	\$	107,452	\$	104,254	Amount	\$	12,441	\$	11,991
Growth rate		3 %		8 %	Growth rate		4 %		3 %
Segment profit					Segment profit				
Amount	\$	1,326	\$	1,394	Amount	\$	640	\$	543
Growth rate		(5)%		- %	Growth rate		18 %		13 %
Segment profit margin		1.23 %		1.34 %	Segment profit margin		5.14 %		4.53 %

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 \$3.11, which includes a \$2.85 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 early 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.

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.

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. Income from state opioid assessments related to prior fiscal years represents reversals of accruals when the underlying assessments were invalidated by a Court, updates to prior estimates or reimbursements of assessments from 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 a portion of the tax benefit to litigation charges.

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 **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.