



# Q4 FY22

**Cardinal Health, Inc.  
Earnings Call**

August 11, 2022

# Forward-looking statements and GAAP reconciliation

## Cautions Concerning Forward-Looking Statements

This presentation contains forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. These statements may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and various accruals and estimates. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. These risks and uncertainties include risks arising from ongoing inflationary pressures and supply chain constraints, including the risk that our plans to mitigate such effects may not be as successful as we anticipate and the possibility that costs to source certain personal protective or other equipment, increased costs for transportation, shipping, freight and commodities, reduced price or demand for certain products may result in additional inventory reserves or disruptions and may negatively impact our ability to meet our long-term guidance; the possibility that our Medical unit goodwill could be further impaired, the increase in global interest rates or possible unfavorable changes in the U.S. statutory tax rate; competitive pressures in Cardinal Health's various lines of business; the performance of our generics program, including the amount or rate of generic deflation and our ability to offset generic deflation and maintain other financial and strategic benefits through our generic sourcing venture with CVS Health; ongoing risks associated with the distribution of opioids, including the financial impact associated with the settlements with governmental authorities, the risk that challenges to our plans to take tax deductions for opioid-related losses could adversely impact our financial results, risks arising from the Department of Justice investigation which we believe concerns our anti-diversion program and risks associated with the injunctive relief requirements under the national settlement, including the risk that we may incur higher costs or operational challenges in the implementation and maintenance of the required changes; risks associated with the manufacture and sourcing of certain products, including risks related to our ability and the ability of third-party manufacturers to import or export certain products or component parts and to comply with applicable regulations; risks associated with the competitive labor market and our ability to attract and retain employees in key roles; our ability to manage uncertainties associated with the pricing of branded pharmaceuticals; and risks associated with our cost savings initiatives or other business initiatives, such as the Medical Improvement Plan, including the possibility that they could fail to achieve the intended results. Cardinal Health is subject to additional risks and uncertainties described in Cardinal Health's Form 10-K, Form 10-Q and Form 8-K reports and exhibits to those reports. This presentation reflects management's views as of August 11, 2022. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement. Forward-looking statements are aspirational and not guarantees or promises that goals, targets or projections will be met, and no assurance can be given that any commitment, expectation, initiative or plan in this report can or will be achieved or completed. Cardinal Health provides definitions and reconciliations of non-GAAP financial measures and their most directly comparable GAAP financial measures at [ir.cardinalhealth.com](http://ir.cardinalhealth.com).

# FY22 highlights

## Financial Performance

- Grew revenue 12% versus the prior year to \$181B
- Pharmaceutical segment profit grew 5% despite inflationary impacts
- Generated \$3.1B of operating cash flow

## Capital Deployment

- Returned \$1.6B to shareholders through share repurchases and dividends
- Strengthened balance sheet by paying down ~\$850M of long-term debt

## Portfolio & Strategic Positioning

- Extended distribution agreements with CVS Health through FY27
- Completed Cordis divestiture and previously-announced exits of 36 international markets
- Continued investments and partnerships in strategic growth areas and innovation
- Finalized national opioid settlement agreement, effective April 2<sup>nd</sup>, 2022

# Q4 results

# Q4 FY22 financial summary

	GAAP Basis (\$M) Q4 FY22	Non-GAAP Basis (\$M) Q4 FY22
<b>Revenue</b> <i>% change</i>	<b>\$47,103</b> 11%	<b>N/A</b>
<b>Gross Margin</b> <i>% change</i>	<b>\$1,605</b> 9%	<b>\$1,605</b> 11%
<b>SG&amp;A</b> <i>% change</i>	<b>\$1,155</b> 2%	<b>\$1,155</b> 2%
<b>Operating Earnings<sup>1</sup></b> <i>% change</i>	<b>\$36</b> (78)%	<b>\$450</b> 41%
<b>Interest and Other<sup>2</sup></b> <i>% change</i>	<b>\$64</b> N.M.	<b>N/A</b>
<b>Net Earnings<sup>3,4</sup></b> <i>% change</i>	<b>\$138</b> 19%	<b>\$289</b> 27%
<b>Diluted EPS<sup>3,4</sup></b> <i>% change</i>	<b>\$0.50</b> 25%	<b>\$1.05</b> 36%

<sup>1</sup>GAAP operating earnings include a non-cash, pre-tax goodwill impairment charge of \$303 million in the Medical segment

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

<sup>3</sup>GAAP Net Earnings and GAAP Diluted EPS reflect the fourth-quarter GAAP tax effects of the cumulative \$2.1 billion of goodwill impairment charges related to the Medical segment recorded in fiscal year 2022

<sup>4</sup>Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.

# Q4 FY22 Pharmaceutical segment results

	Q4 FY22 (\$M)	Q4 FY21 (\$M)	YoY change
Revenue	\$43,337	\$38,344	13%
Segment profit	\$451	\$358	26%
Segment profit margin	1.04%	0.93%	+11 bps

## Drivers:

### Revenue

- + Pharmaceutical Distribution
- + Specialty

### Segment profit

- + Generics program
- + Brand sales mix
- + Favorable comparison due to prior year inventory adjustments
- Inflationary supply chain costs

# Q4 FY22 Medical segment results

	Q4 FY22 (\$M)	Q4 FY21 (\$M)	YoY change
Revenue	\$3,769	\$4,246	-11%
Segment profit	-\$16	-\$63	75%
Segment profit margin	-0.42%	-1.50%	+108 bps

## Drivers:

### Revenue

- Divestiture of Cordis
- Products and distribution volumes

### Segment profit

- + Comparison to prior year PPE inventory reserve
- Products and distribution: net inflationary impacts and global supply chain constraints
- Lower contribution from PPE
- Divestiture of Cordis

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

# FY22 results



# FY22 financial summary

	GAAP Basis (\$M) FY22	Non-GAAP Basis (\$M) FY22
<b>Revenue</b> <i>% change</i>	<b>\$181,364</b> 12%	<b>N/A</b>
<b>Gross Margin</b> <i>% change</i>	<b>\$6,545</b> (3)%	<b>\$6,547</b> (3)%
<b>SG&amp;A</b> <i>% change</i>	<b>\$4,557</b> 1%	<b>\$4,557</b> 1%
<b>Operating Earnings/(Loss)<sup>1</sup></b> <i>% change</i>	<b>\$(596)</b> N.M.	<b>\$1,990</b> (12)%
<b>Interest &amp; Other<sup>2</sup></b> <i>% change</i>	<b>\$165</b> 24%	<b>N/A</b>
<b>Net Earnings/(Loss)<sup>3,4</sup></b> <i>% change</i>	<b>\$(933)</b> N.M.	<b>\$1,419</b> (13)%
<b>Diluted EPS<sup>3,4</sup></b> <i>% change</i>	<b>\$(3.35)</b> N.M.	<b>\$5.06</b> (9)%

<sup>1</sup>GAAP operating earnings include cumulative non-cash, pre-tax goodwill impairment charges of \$2.1 billion in the Medical segment recorded in fiscal year 2022

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

<sup>3</sup>GAAP Net Loss and GAAP Diluted EPS reflect the fiscal year 2022 GAAP tax effects of the cumulative \$2.1 billion of goodwill impairment charges related to the Medical segment

<sup>4</sup>Attributable to Cardinal Health, Inc.

# FY22 Pharmaceutical segment results

	FY22 (\$M)	FY21 (\$M)	YoY change
Revenue	\$165,491	\$145,796	14%
Segment profit	\$1,770	\$1,684	5%
Segment profit margin	1.07%	1.15%	-8 bps

## Drivers:

### Revenue

- + Pharmaceutical Distribution
- + Specialty Solutions

### Segment profit

- + Generics program
- + Improvement in volumes vs. prior year
- Investments in technology enhancements
- Inflationary supply chain costs

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

# FY22 Medical segment results

	FY22 (\$M)	FY21 (\$M)	YoY change
Revenue	\$15,887	\$16,687	-5%
Segment profit	\$216	\$577	-63%
Segment profit margin	1.36%	3.46%	-210 bps

## Drivers:

### Revenue

- Divestiture of Cordis
- Products and distribution volumes
- + at-Home Solutions

### Segment profit

- Products and distribution: net inflationary impacts and global supply chain constraints
- + Comparison to prior year PPE inventory reserve
- Lower contribution from PPE
- Divestiture of Cordis

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

# FY23 outlook

# FY23 financial expectations

	FY23 outlook	FY22 actual
Non-GAAP EPS	\$5.05 - \$5.40	\$5.06
Interest and other	\$140M - \$170M	\$165M
Non-GAAP ETR	23.0% - 25.0%	22.1%
Diluted weighted average shares outstanding	262M - 266M	280M
Share repurchases	\$1.5B - \$2.0B	\$1.0B
Capital expenditures	~\$500M	\$387M
Adjusted free cash flow	\$1.5B - \$2.0B	\$2.3B

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.

# FY23 Pharmaceutical segment outlook

## Revenue

10% to 14% growth

## Segment Profit

2% to 5% growth

## Key assumptions

- Continued stability in overall pharmaceutical volumes and consistent market dynamics within our generics program
- ~\$50M headwind from inflationary supply chain costs, primarily in first half of FY23
- ~\$30M tailwind from completed technology enhancements
- Opioid-related legal costs (including injunctive relief) of ~\$80M, ~\$20M tailwind
- Increased contributions from strategic growth areas, primarily Specialty (including biosimilars)

# FY23 Medical segment outlook

## Revenue

3% to 6% decline

## Segment Profit

10% decline to 10% growth

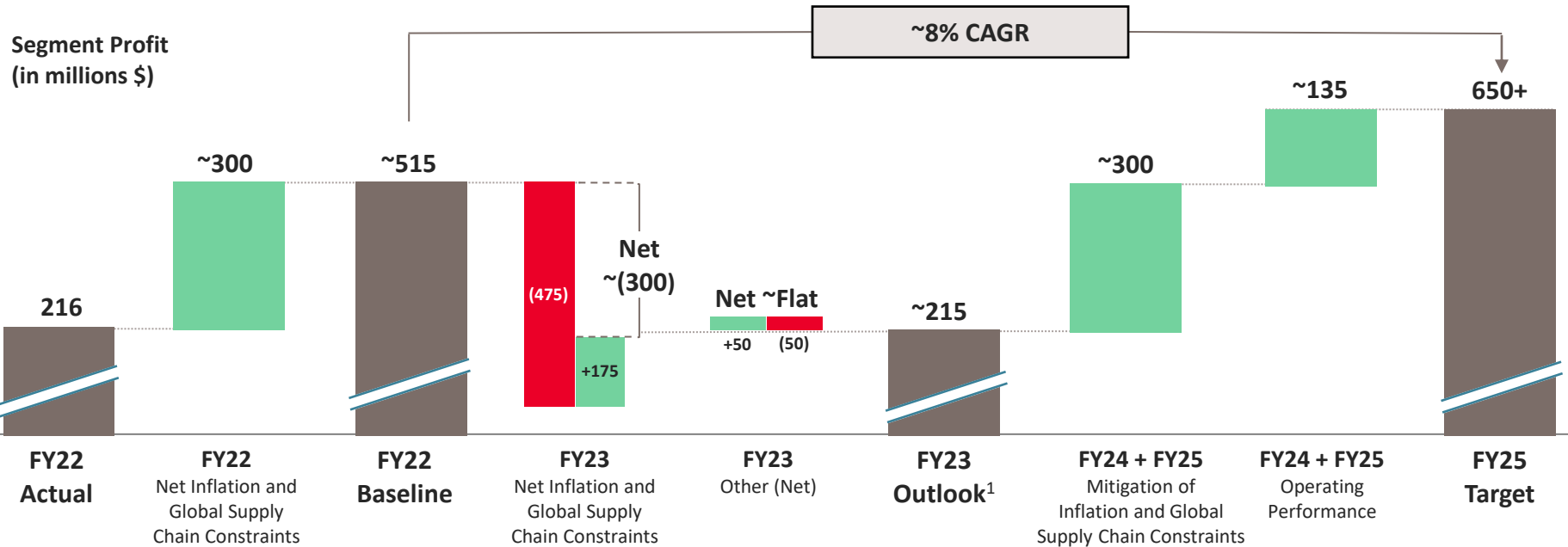
## Key assumptions

- Similar ~\$300M net impact from inflation, global supply constraints and mitigation actions (minimal year-over-year impact)
  - ~\$475M of gross inflation and global supply chain constraints
  - ~\$175M of mitigation initiatives<sup>1</sup>
- ~\$50M tailwind from improvement in PPE margins
  - Sell-through majority of higher cost PPE in first half of FY23
  - Normalization of PPE margins as we exit FY23
- ~\$50M headwind from Lab testing
- ~\$50M headwind from incentive compensation re-baseline
- Increased contributions from strategic growth areas, primarily at-Home Solutions

<sup>1</sup>Including pricing actions and evolving commercial contracting

# FY22 to FY25 Medical Segment Profit Bridge

Targeting at least \$650M in Medical segment profit by FY25



**Mitigating inflation and global supply chain constraint impacts, plus 8%+ CAGR by FY25**

<sup>1</sup>FY23 Outlook of ~\$215 million represents approximate mid-point of segment profit guidance range, 10% decline to 10% growth; Includes +\$50M operating performance and \$50M headwind for incentive compensation re-baseline. Additionally, ~\$50M tailwind from PPE offsets ~\$50M headwind from Lab testing



# Medical Improvement Plan

Targeting at least \$650M in Medical segment profit by FY25

**Foundational:** returning to a normalized environment

Area of focus	FY22–25 Total	Measurable Proof Point
<b>1. Mitigate Inflation and Global Supply Chain Constraints</b>	~\$300M	<b>Fully offset with mitigation initiatives by FY25</b> <ul style="list-style-type: none"> <li>Exit FY23 offsetting <b>at least 50%</b> of gross impact</li> <li>Exit FY24 offsetting <b>100%</b> of gross impact</li> </ul>

**Growth initiatives:** generating ~\$185M+ of segment profit growth by FY25

Area of focus	FY22–25 Total	Measurable Proof Point
<b>2. Optimize and Grow Cardinal Health Brand Portfolio</b>	\$75M+	<b>Grow Cardinal Health Brand revenue<sup>1</sup> at 3%+ CAGR.</b> Each percentage point = ~\$25M in incremental segment profit over 3 years <ul style="list-style-type: none"> <li>New product innovation and investments in capacity</li> <li>In-channel and out-of-channel growth</li> </ul>
<b>3. Accelerate Growth Businesses, Primarily at-Home Solutions</b>	\$60M+	<b>Total segment profit growth by FY25</b> <ul style="list-style-type: none"> <li>Core growth</li> <li>New technology offerings</li> </ul>
<b>4. Drive Simplification and Continued Cost Optimization</b>	\$50M+	<b>Net cost savings<sup>2</sup></b> <ul style="list-style-type: none"> <li>Value improvement projects</li> <li>Sourcing, transportation, and manufacturing strategies</li> </ul>

17 <sup>1</sup>Excludes PPE products and impacts from incremental inflation, global supply chain constraints, and certain portfolio optimization product category exits, on constant-currency basis

<sup>2</sup>Gross Medical segment cost savings, net of operational cost increases

# FY23 strategic priorities

1

## Optimize core businesses

- Execute our **Medical Improvement Plan** initiatives
- Continue to strengthen **Pharmaceutical Distribution** by prioritizing **customer experience** and further enhancing **our generics program**
- Drive **simplification** to **exceed** 5-year, **\$750M cost savings goal**

2

## Invest for growth and innovation

- Fuel **growth** and **innovation** in our **strategic growth areas**:



**Specialty Solutions**



**at-Home Solutions**



**Nuclear**



**Medical Services**



**Outcomes**

3

## Deploy capital efficiently

- Prioritizing **investment in the business** to drive organic growth by increasing CapEx to ~\$500M
- Maintain a **strong balance sheet** by paying down ~\$550M of LT debt
- **Return capital to shareholders** by growing the dividend at a modest rate and ~\$1.5B to \$2.0B of share repurchases

# Long-term targets

Taking action to drive sustainable growth

## Pharma

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



1. **Strengthening our core** Pharmaceutical Distribution business
2. Fueling our **growth businesses**: primarily Specialty

## Medical

**At least \$650 million** in segment profit by FY25



1. **Mitigating** supply chain inflation
2. Optimizing and growing our **Cardinal Health Brand** portfolio
3. Accelerating our **growth businesses**: primarily at-Home Solutions
4. Driving **simplification** and optimizing cost



## Capital Allocation

**Balanced, disciplined and shareholder-friendly capital deployment**

1. Moderating **debt paydown** = greater flexibility for shareholder return
2. Commitment to **dividend**
3. Remaining **\$2.7B share repurchase authorization**<sup>1</sup>



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

<sup>1</sup>As of July 2022, \$2.7B of original \$3.0B share repurchase authorization remaining, expiring December 31, 2024

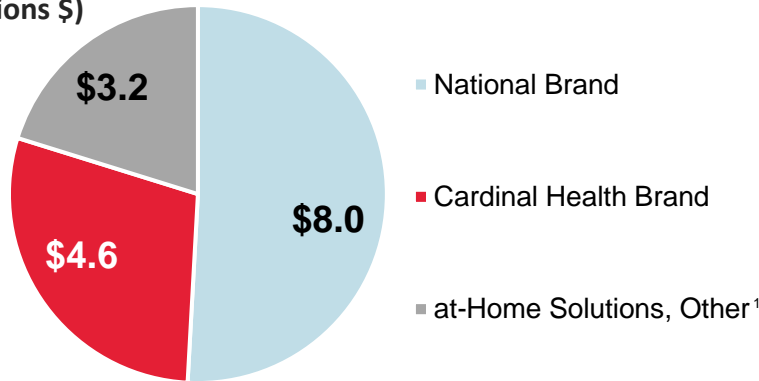
# Our Cardinal Health Brand Medical Products Portfolio

23 categories with 125K+ SKUs selling into every US Hospital and 50+ countries worldwide

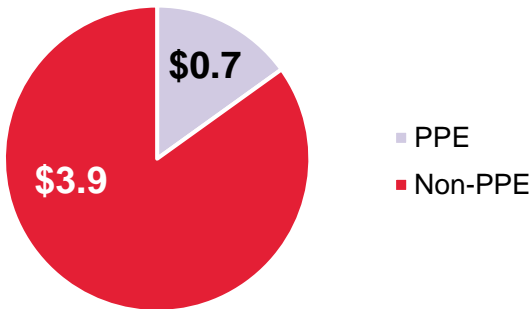
## FY22 Revenue Breakdown

### Total Medical Segment

(in billions \$)



### Cardinal Health Brand



<sup>1</sup>Other primarily includes OptiFreight®, WaveMark™, and 3PL

## Leading brands and clinically-differentiated products

Including these key categories representing >\$1B in total revenue<sup>2</sup>

Surgical Gloves



Compression



Nutritional Delivery



Electrocardiography



<sup>2</sup>FY22 revenue for 4 product categories in aggregate



# Appendix

Cardinal Health, Inc. and Subsidiaries  
GAAP / Non-GAAP Reconciliation<sup>1</sup>

	Gross Margin		SG&A <sup>2</sup>		Operating Earnings		Earnings/ (Loss) Before Provision for/ (Benefit from) Taxes		Net Earnings <sup>3</sup>		Effective Tax		Diluted EPS <sup>3</sup>	
	Margin	Rate	SG&A <sup>2</sup>	Rate	Earnings	Rate	Income	Income	Net Earnings <sup>3</sup>	Rate	Tax Rate	Diluted EPS <sup>3</sup>	Growth Rate	
Fourth Quarter 2022														
GAAP	\$ 1,605	9 %	\$ 1,155	2 %	\$ 36	(78)%	\$ (28)	\$ (165)	\$ 138	19%	575.3 %	\$ 0.50	25%	
Restructuring and employee severance	-		-		45		45	13	32				0.12	
Amortization and other acquisition-related costs	-		-		87		87	22	65				0.23	
Impairments and (gain)/loss on disposal of assets, net <sup>4</sup>	-		-		286		286	226	60				0.22	
Litigation (recoveries)/charges, net	-		-		(4)		(4)	2	(6)				(0.02)	
<b>Non-GAAP</b>	<b>\$ 1,605</b>	<b>11 %</b>	<b>\$ 1,155</b>	<b>2 %</b>	<b>\$ 450</b>	<b>41 %</b>	<b>\$ 386</b>	<b>\$ 98</b>	<b>\$ 289</b>	<b>27%</b>	<b>25.4 %</b>	<b>\$ 1.05</b>	<b>36%</b>	
Fourth Quarter 2021														
GAAP	\$ 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)	
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>5</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 navilHealth	-		-		-		2	1	1				0.01	
<b>Non-GAAP</b>	<b>\$ 1,451</b>	<b>(8)%</b>	<b>\$ 1,132</b>	<b>(1)%</b>	<b>\$ 320</b>	<b>(28)%</b>	<b>\$ 292</b>	<b>\$ 66</b>	<b>\$ 227</b>	<b>(26)%</b>	<b>22.6 %</b>	<b>\$ 0.77</b>	<b>(26)%</b>	

<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> Impairments and (gain)/loss on disposals of assets, net includes a pre-tax goodwill impairment charge of \$303 million related to our Medical segment recorded in the fourth quarter of fiscal 2022. For the fourth quarter of fiscal 2022, the net tax benefit related to year-to-date impairments is \$240 million and is included in the annual effective tax rate.

<sup>5</sup> Litigation (recoveries)/charges, net includes a pre-tax charge of \$1.17 billion recorded in fiscal 2021 related to the opioid litigation. The amount of tax benefit increased by approximately \$50 million during the fourth quarter ended June 30, 2021 compared to the tax impacts that would have been recognized without the opioid litigation charge. The net tax benefit associated with the opioid litigation charges was \$228 million for fiscal 2021.

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		SG&A <sup>2</sup>	Operating	Operating	Earnings/ (Loss)	Provision for/ (Benefit from)	Net	Net	Effective	Diluted	Diluted	
	Margin	Rate											Growth
	Margin	Rate	Growth	Rate	(Loss)	Rate	Income	Taxes	(Loss) <sup>3</sup>	Rate	Rate	Rate	Rate
Fiscal Year 2022													
<b>GAAP</b>	\$ 6,545	(3)%	\$ 4,557	1%	\$ (596)	N.M.	\$ (769)	\$ 163	\$ (933)	N.M.	(21.2)%	\$ (3.35)	N.M.
Surgical gown recall costs/(income)	1		-		1		1	-	1			-	
Restructuring and employee severance	-		-		101		101	26	75			0.27	
Amortization and other acquisition-related costs	-		-		324		324	84	240			0.87	
Impairments and (gain)/loss on disposal of assets, net <sup>5</sup>	-		-		2,050		2,050	107	1,943			6.93	
Litigation (recoveries)/charges, net <sup>6,7</sup>	-		-		109		109	21	88			0.31	
Loss on early extinguishment of debt	-		-		-		10	3	7			0.03	
(Gain)/Loss on sale of equity interest in navIHHealth	-		-		-		(2)	-	(2)			-	
<b>Non-GAAP</b>	\$ 6,547	(3)%	\$ 4,557	1%	\$ 1,990	(12)%	\$ 1,824	\$ 404	\$ 1,419	(13)%	22.1%	\$ 5.06	(9)%
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>8</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 navIHHealth	-		-		-		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%

<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 2022, 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 is calculated using a weighted average of 279 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. For fiscal 2022, non-GAAP diluted EPS is calculated using a weighted average of 280 million common shares, which includes potentially dilutive shares.

<sup>5</sup> Impairments and (gain)/loss on disposals of assets, net includes pre-tax goodwill impairment charges of \$2.1 billion related to our Medical segment recorded in fiscal 2022. For fiscal 2022, the net tax benefit related to these impairments is \$150 million and is included in the annual effective tax rate.

<sup>6</sup> Litigation (recoveries)/charges, net for fiscal 2022 does not include a \$16 million judgement for lost profits related to an ordinary course intellectual property claim, which positively impacted Pharmaceutical segment profit.

<sup>7</sup> Litigation (recoveries)/charges, net includes a one-time contingent attorneys' fee of \$18 million recorded during fiscal 2022 related to the finalization of the Settlement Agreement resulting in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities. Due to the unique nature and significance of the Settlement Agreement, and the one-time, contingent nature of the fee, this fee was included in litigation (recoveries)/charges, net.

<sup>8</sup> Litigation (recoveries)/charges, net includes a pre-tax charge of \$1.17 billion recorded in fiscal 2021 related to the opioid litigation. The net tax benefit associated with the opioid litigation charges was \$228 million for fiscal 2021.

Litigation (recoveries)/charges, net also 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 net benefit was \$424 million; however, for purposes of reconciling 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.

Cardinal Health, Inc. and Subsidiaries

GAAP / Non-GAAP Reconciliation - GAAP Cash Flow to Non-GAAP Adjusted Free Cash Flow

	Fiscal Year
	<u>2022</u>
(in millions)	
<b>GAAP - Cash Flow Categories</b>	
Net cash provided by operating activities	\$ 3,122
Net cash provided by investing activities	567
Net cash provided by financing activities	(2,463)
Effect of exchange rates changes on cash and equivalents	(25)
Cash reclassified from assets held for sale	109
Net increase in cash and equivalents	<u>\$ 1,310</u>
<b>Non-GAAP Adjusted Free Cash Flow</b>	
Net cash provided by operating activities	\$ 3,122
Additions to property and equipment	(387)
Payments related to matters included in litigation (recoveries)/charges, net	511
Other significant and unusual or non-recurring items	
U.S. federal tax refund from net operating loss carryback	(966)
Non-GAAP Adjusted Free Cash Flow	<u>\$ 2,280</u>

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



Cardinal Health, Inc. and Subsidiaries

Segment Information

Fourth Quarter

(in millions)	2022		2021		(in millions)	2022		2021	
<b>Pharmaceutical</b>					<b>Medical</b>				
<b>Revenue</b>					<b>Revenue</b>				
Amount	\$	43,337	\$	38,344	Amount	\$	3,769	\$	4,246
Growth rate		13 %		15 %	Growth rate		(11)%		23 %
<b>Segment profit</b>					<b>Segment profit<sup>3</sup></b>				
Amount	\$	451	\$	358	Amount	\$	(16)	\$	(63)
Growth rate		26 %		- %	Growth rate		75 %		(153)%
Segment profit margin		1.04 %		0.93 %	Segment profit margin		(0.42)%		(1.50)%

Fiscal Year

(in millions)	2022		2021		(in millions)	2022		2021	
<b>Pharmaceutical</b>					<b>Medical</b>				
<b>Revenue</b>					<b>Revenue</b>				
Amount	\$	165,491	\$	145,796	Amount	\$	15,887	\$	16,687
Growth rate		14 %		6 %	Growth rate		(5)%		8 %
<b>Segment profit<sup>1,2</sup></b>					<b>Segment profit<sup>3</sup></b>				
Amount	\$	1,770	\$	1,684	Amount	\$	216	\$	577
Growth rate		5 %		(4)%	Growth rate		(63)%		(13)%
Segment profit margin		1.07 %		1.15 %	Segment profit margin		1.36 %		3.46 %

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

<sup>1</sup> Pharmaceutical segment profit includes opioid-related litigation defense and compliance costs, but does not include a one-time contingent attorneys' fee of \$18 million incurred during fiscal 2022 related to the finalization of the Settlement Agreement.

<sup>2</sup> Pharmaceutical segment profit during fiscal 2022 was positively impacted by a \$16 million judgment for lost profits related to an ordinary course intellectual property rights claim.

<sup>3</sup> Medical segment profit/(loss) for the fourth quarter and year-to-date periods of fiscal 2021 includes a reserve of \$197 million to reduce the carrying value of certain personal protective equipment to its net realizable value.

**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 2023 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.

## Cardinal Health, Inc. and Subsidiaries

### Definitions

**Growth rate calculation:** growth rates are determined by dividing the difference between current-period results and prior-period results by prior-period results.

**Interest and Other, net:** other (income)/expense, net plus interest expense, net.

**Segment Profit:** segment revenue minus (segment cost of products sold and segment distribution, selling, general, and administrative expenses).

**Segment Profit margin:** segment profit divided by segment revenue.

**Non-GAAP gross margin:** gross margin, excluding LIFO charges/(credits) and surgical gown recall costs/(income).

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

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

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

**Non-GAAP net earnings attributable to Cardinal Health, Inc.:** net earnings/(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.

**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, divided by (earnings/(loss) before income taxes adjusted for the first nine items).

**Non-GAAP diluted earnings per share attributable to Cardinal Health, Inc.:** non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

**Non-GAAP adjusted free cash flow:** net cash provided by operating activities less payments related to additions to property and equipment, excluding settlement payments and receipts related to matters included in litigation (recoveries)/charges, net, as defined above, or other significant and unusual or non-recurring cash payments or receipts. For example, the U.S. federal income tax refund of \$966 million for the tax benefit from the net operating loss carryback related to a self-insurance pre-tax loss was excluded from the Company's fiscal 2022 non-GAAP adjusted free cash flow.

## Cardinal Health, Inc. and Subsidiaries

### Definitions Continued

<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. We did not recognize any LIFO charges or credits during the periods presented.

<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 overlabeling of other packs) for Presource Procedure Packs containing affected gowns. Income from surgical gown recall costs represents insurance recoveries of these certain costs. We have excluded these costs from our non-GAAP metrics to allow investors to better understand the underlying operating results of the business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results.

<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 2022, we incurred a one-time contingent attorneys' fee of \$18 million related to the finalization of the Settlement Agreement resulting in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities. Due to the unique nature and significance of the Settlement Agreement, and the one-time, contingent nature of the fee, this fee was included in litigation recoveries or charges, net. Additionally, during fiscal 2022 our Pharmaceutical segment profit was positively impacted by a \$16 million judgment for lost profits. This judgment was the result of an ordinary course intellectual property rights claim and, therefore, is not adjusted in calculating the litigation recoveries or charges, net adjustment. 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.

The tax effect for each of the items listed above 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.

Non-GAAP adjusted free cash flow: We provide this non-GAAP financial measure as a supplemental metric to assist readers in assessing the effects of items and events on our cash flow on a year-over-year basis and in comparing our performance to that of our peer group companies. In calculating this non-GAAP metric, certain items are excluded from net cash provided by operating activities because they relate to significant and unusual or non-recurring events and are inherently unpredictable in timing and amount. We believe adjusted free cash flow is important to management and useful to investors as a supplemental measure as it indicates the cash flow available for working capital needs, debt repayments, dividend payments, share repurchases, strategic acquisitions, or other strategic uses of cash. A reconciliation of our GAAP financial results to Non-GAAP adjusted free cash flow is provided in Schedule 6 of the financial statement tables included with this release.