



Q3 FY22

CARDINAL HEALTH, INC.
EARNINGS CALL

MAY 5, 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 possibility that we may continue to not successfully offset such increased costs through price increases or other cost reductions, risks associated with the ongoing COVID-19 pandemic and our critical role in the global healthcare supply chain, including costs to source certain personal protective or other equipment, increased costs for transportation, shipping, freight and commodities, reduced price or demand for certain products, which may result in additional inventory reserves, possible workforce issues resulting from COVID-19 vaccine mandates and the possible impact of disruptions of our distribution or manufacturing facilities; the possibility that our Medical unit goodwill could be further impaired due to the decreased outlook for Medical segment profit, 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 settlement with governmental authorities, the risk that challenges to our plans to take tax deductions for opioid-related losses could adversely impact our financial results and risks arising from the Department of Justice investigation which we believe concerns our anti-diversion program; risks associated with the manufacture and sourcing of certain products, including risks related to our ability and the ability of third-party manufacturers to comply with applicable regulations; our ability to manage uncertainties associated with the pricing of branded pharmaceuticals; and risks associated with our cost savings initiatives including the possibility that they could 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 May 5, 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.

Q3 results

Q3 FY22 financial summary

	GAAP Basis (\$M) Q3 FY22	Non-GAAP Basis (\$M) Q3 FY22
Revenue % change	\$44,836 14%	N/A
Gross Margin % change	\$1,682 (7)%	\$1,683 (7)%
SG&A % change	\$1,137 2%	\$1,138 2%
Operating Earnings/(Loss) ¹ % change	\$(97) N.M.	\$545 (21)%
Interest and Other² % change	\$41 24%	N/A
Net Earnings^{3,4} % change	\$(1,391) N.M.	\$402 (11)%
Diluted EPS^{3,4} % change	\$(5.05) N.M.	\$1.45 (5)%

¹GAAP operating loss due to a non-cash, pre-tax goodwill impairment charge of \$474 million related to the Medical segment

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

³GAAP Net Earnings and GAAP Diluted EPS reflect the third-quarter GAAP tax effects of the cumulative \$1.8 billion of goodwill impairment charges related to the Medical segment recorded in fiscal 2022

⁴Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.

Q3 FY22 Pharmaceutical segment results

	Q3 FY22 (\$M)	Q3 FY21 (\$M)	YoY change
Revenue	\$40,957	\$35,104	17%
Segment profit	\$487	\$511	-5%
Segment profit margin	1.19%	1.46%	-27 bps

Drivers:

Revenue

- + Pharmaceutical Distribution
- + Specialty

Segment profit

- Higher operations expenses and previously anticipated investments in technology enhancements
- + Generics program

Q3 FY22 Medical segment results

	Q3 FY22 (\$M)	Q3 FY21 (\$M)	YoY change
Revenue	\$3,884	\$4,174	-7%
Segment profit	\$59	\$174	-66%
Segment profit margin	1.52%	4.18%	-266 bps

Drivers:

Revenue

- Divestiture of Cordis
- Products and distribution volumes, including the impact of global supply chain constraints

Segment profit

- Products and distribution: net inflationary impacts and global supply chain constraints

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

FY22 outlook

FY22 financial expectations

	FY22 outlook	FY21 actual
Non-GAAP EPS	\$5.15 - \$5.25 <i>Previously \$5.15 - \$5.50</i>	\$5.57
Interest and other	\$140M - \$160M	\$133M
Non-GAAP ETR	22.0% - 23.0% <i>Previously 23.0% - 24.5%</i>	22.8%
Diluted weighted average shares outstanding	~281M <i>Previously 280M – 282M</i>	294M
Capital expenditures	~\$400M <i>Previously \$400M – \$450M</i>	\$400M

Bold indicates an update to the FY22 outlook provided on February 3, 2022

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 segment outlook

Segment	Revenue	Segment Profit
Pharmaceutical	Low-double digit percentage growth	Mid-single digit percentage growth
Medical	Mid-single digit percentage decline <i>Previously low-single digit to mid-single digit percentage decline</i>	Forty-five to fifty-five percent decline <i>Previously thirty to forty-five percent decline</i>

Italicized indicates an update to the FY22 segment outlook provided on February 3, 2022

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

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**: Specialty, Nuclear, Outcomes

Medical

Mid-single digit to high-single digit segment profit growth



1. Simplifying our **operating model**
2. Focusing on **driving mix** through **commercial excellence**
3. Fueling our **growth businesses**: at-Home Solutions and Medical Services



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**¹



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

¹As of April 2022, \$2.7B of original \$3.0B share repurchase authorization remaining, expiring December 31, 2024

Appendix



GAAP / Non-GAAP Reconciliation¹

	Gross Margin		SG&A ²		Operating Earnings/ (Loss)		Earnings/ (Loss) Before Taxes		Provision for/ (Benefit from) Income Taxes		Net Earnings ³ Growth Rate		Effective Tax Rate		Diluted EPS ³ Growth Rate					
	Gross Margin	Growth Rate	SG&A ²	Growth Rate	Earnings/ (Loss)	Growth Rate	Income	Taxes	Income	Taxes	Earnings/ (Loss) ³	Growth Rate	Tax Rate	Diluted EPS ^{3,4}	Growth Rate	Rate				
	Margin	Rate	Rate	Rate	(Loss)	Rate	Taxes	Taxes	Taxes	Taxes	(Loss) ³	Rate	Rate	EPS ^{3,4}	Rate	Rate				
Third Quarter 2022																				
GAAP	\$	1,682	(7)%	\$	1,137	2 %	\$	(97)	N.M.	\$	(137)	\$	1,253	\$	(1,391)	N.M.	(916.5)%	\$	(5.05)	N.M.
Restructuring and employee severance		-			-			31			31		8		23					0.08
Amortization and other acquisition-related costs		-			-			79			79		20		59					0.21
Impairments and (gain)/loss on disposal of assets, net ⁵		-			-			471			471		(1,189)		1,660					6.03
Litigation (recoveries)/charges, net ⁶		-			-			61			61		10		51					0.18
(Gain)/Loss on sale on equity interest in naviHealth		-			-			-			(1)		-		(1)					-
Non-GAAP	\$	1,683	(7)%	\$	1,138	2 %	\$	545	(21)%	\$	504	\$	101	\$	402	(11)%	20.1 %	\$	1.45	(5)%
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/(income)		(1)			-			(1)			(1)		-		(1)					-
State opioid assessment related to prior fiscal years		-			2			(2)			(2)		(1)		(1)					-
Restructuring and employee severance		-			-			24			24		6		18					0.06
Amortization and other acquisition-related costs		-			-			111			111		28		83					0.28
Impairments and (gain)/loss on disposal of assets, net		-			-			69			69		(4)		73					0.25
Litigation (recoveries)/charges, net ⁷		-			-			15			15		(144)		159					0.54
Non-GAAP	\$	1,811	(4)%	\$	1,121	(4)%	\$	689	(4)%	\$	657	\$	205	\$	451	(5)%	31.2 %	\$	1.53	(6)%

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 the three and nine months ended March 31, 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 are calculated using a weighted average of 275 million and 281 million common shares, respectively, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the periods. For the three and nine months ended March 31, 2022, non-GAAP diluted EPS is calculated using a weighted average of 277 million and 282 million common shares, which includes potentially dilutive shares.

⁵ Impairments and (gain)/loss on disposals of assets, net includes pre-tax goodwill impairment charges of \$474 million and \$1.8 billion related to our Medical segment recorded in the third quarter and year-to-date periods of fiscal 2022, respectively. For fiscal 2022, the estimated net tax benefit related to these impairments is \$126 million and is included in the annual effective tax rate. As a result, the amount of tax expense in the current quarter and year-to-date periods increased by approximately \$1.2 billion and approximately \$180 million, respectively, and is expected to lower the provision for income taxes during the fourth quarter of fiscal 2022 by approximately \$180 million.

⁶ Litigation (recoveries)/charges, net includes a one-time contingent attorney fee of \$18 million recorded during the third quarter of 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 related fee was included in litigation (recoveries)/charges, net.

⁷ Litigation (recoveries)/charges, net includes a pre-tax charge of \$1.02 billion recorded in the first quarter of fiscal 2021 related to the opioid litigation. The amount of tax benefit 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 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 Reconciliation¹

	Gross Margin	Gross Growth Rate	SG&A ² Rate	Operating Earnings/(Loss)	Operating Earnings/(Loss) 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	Diluted EPS ³ Growth Rate	
Fiscal Year 2021													
GAAP	\$ 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 ⁴	-		-		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 navHealth investment	-		-		-		2	1	1			0.01	
Non-GAAP	\$ 6,754	(2)%	\$ 4,499	(1)%	\$ 2,255	(5)%	\$ 2,122	\$ 483	\$ 1,637	2%	22.8%	\$ 5.57	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 a pre-tax charge of \$1.17 billion recorded in fiscal 2021 related to the opioid litigation. The net tax benefits associated with the opioid litigation charges are \$228 million for fiscal 2021.

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.



Cardinal Health, Inc. and Subsidiaries

Segment Information

Third Quarter

<u>(in millions)</u>	<u>2022</u>		<u>2021</u>		<u>(in millions)</u>	<u>2022</u>		<u>2021</u>	
Pharmaceutical					Medical				
Revenue					Revenue				
Amount	\$	40,957	\$	35,104	Amount	\$	3,884	\$	4,174
Growth rate		17 %		- %	Growth rate		(7)%		3 %
Segment profit ¹					Segment profit				
Amount	\$	487	\$	511	Amount	\$	59	\$	174
Growth rate		(5)%		(4)%	Growth rate		(66)%		(2)%
Segment profit margin		1.19 %		1.46 %	Segment profit margin		1.52 %		4.18 %

Year-to-Date

<u>(in millions)</u>	<u>2022</u>		<u>2021</u>		<u>(in millions)</u>	<u>2022</u>		<u>2021</u>	
Pharmaceutical					Medical				
Revenue					Revenue				
Amount	\$	122,154	\$	107,452	Amount	\$	12,118	\$	12,441
Growth rate		14 %		3 %	Growth rate		(3)%		4 %
Segment profit ^{1,2}					Segment profit				
Amount	\$	1,319	\$	1,326	Amount	\$	232	\$	640
Growth rate		(1)%		(5)%	Growth rate		(64)%		18 %
Segment profit margin		1.08 %		1.23 %	Segment profit margin		1.91 %		5.14 %

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

¹ Pharmaceutical segment profit includes opioid-related litigation defense and compliance costs, but does not include a one-time contingent attorney fee of \$18 million incurred during the three and nine months ended March 31, 2022 related to the finalization of the Settlement Agreement.

² Pharmaceutical segment profit during the nine months ended March 31, 2022 was positively impacted by a \$16 million judgment for lost profits related to an ordinary course intellectual property rights claim.



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 2022 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 2022 year to date period impacted the Company's EPS by \$7.83.



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, 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/(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.



Definitions Continued

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

² 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.

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 or reimbursed by 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 substantially all of the tax benefit to litigation charges. During fiscal 2022, we incurred a one-time contingent attorney 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 related 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.

⁸ Loss on early extinguishment of debt is excluded because it does not typically occur in the normal course of business and may obscure analysis of trends and financial performance. Additionally, the amount and frequency of this type of charge is not consistent and is significantly impacted by the timing and size of debt extinguishment transactions.

⁹ (Gain)/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.

¹⁰ Transitional tax benefit, net related to the Tax Cuts and Jobs Act is excluded because it results from the one-time impact of a very significant change in the U.S. federal corporate tax rate and, due to the significant size of the benefit, obscures analysis of trends and financial performance. The transitional tax benefit includes the initial estimate and subsequent adjustments for the re-measurement of deferred tax assets and liabilities due to the reduction of the U.S. federal corporate income tax rate and the repatriation tax on undistributed foreign earnings.

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.

