



Q3 FY24 Earnings

Cardinal Health, Inc.



May 2, 2024

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, including the risk that our plans to mitigate such effects may not be as successful as we anticipate or that costs could remain elevated; risks associated with our ongoing review of our operations, portfolio and businesses, including the risk that our management team could become distracted or that the outcome of such review may have unintended consequences; competitive pressures in Cardinal Health's various lines of business, including the risk that customers may reduce purchases made under their contracts with us or terminate or not renew their contracts; the risk that we may not be as successful as anticipated in mitigating the negative impacts from the recent loss of a significant Pharmaceutical and Specialty Solutions segment customer contract; 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 or other components of our generics programs; ongoing risks associated with the distribution of opioids, including the financial impact associated with the settlements with governmental authorities and other parties and the risk that challenges to tax deductions for opioid-related losses could adversely impact our financial results; risks arising from the Department of Justice investigation which concerns our anti-diversion program and risks associated with the injunctive relief requirements under the national settlement; 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, including the recent scrutiny on products manufactured in or sourced from China; our ability to manage uncertainties associated with the pricing of branded pharmaceuticals; risks associated with business process initiatives, such as the Global Medical Products and Distribution Improvement Plan, including the possibility that they could fail to achieve the intended results; the risk that we may not realize the anticipated benefits related to our updated operating and segment reporting structure; and risks associated with the acquisition of Specialty Networks, including the risk that we may fail to realize the anticipated strategic and financial benefits. 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 2, 2024. 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 news release can or will be achieved or completed.

Q3 results

Q3 FY24 financial summary

	GAAP Basis (\$M) Q3 FY24	Non-GAAP Basis (\$M) Q3 FY24
Revenue <i>% change</i>	\$54,911 9%	N/A
Gross Margin <i>% change</i>	\$1,947 9%	\$1,947 9%
SG&A <i>% change</i>	\$1,282 9%	\$1,281 9%
Operating Earnings <i>% change</i>	\$367 N.M.	\$666 10%
Interest and Other¹ <i>% change</i>	\$26 (7)%	N/A
Net Earnings² <i>% change</i>	\$258 N.M.	\$509 14%
Diluted EPS² <i>% change</i>	\$1.05 N.M.	\$2.08 20%

¹ GAAP operating earnings includes a non-cash, pre-tax goodwill impairment charge of \$90 million related to the Global Medical Products and Distribution (GMPD) segment as a result of the reallocation of goodwill related to the reporting structure update.

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

³ Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.

Pharmaceutical and Specialty Solutions

Q3 FY24 results

	Q3 FY24 (\$M)	Q3 FY23 (\$M)	YoY change
Revenue	\$50,651	\$46,496	9%
Segment profit	\$580	\$560	4%
Segment profit margin	1.15%	1.20%	(5) bps

Drivers:

Revenue

- + Brand and specialty pharmaceutical sales growth from existing customers

Segment profit

- + Generics program performance

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

Global Medical Products and Distribution

Q3 FY24 results

	Q3 FY24 (\$M)	Q3 FY23 (\$M)	YoY change
Revenue	\$3,113	\$2,989	4%
Segment profit	\$20	\$(46)	N.M.
Segment profit margin	0.64%	-1.54%	+218 bps

Drivers:

Revenue

- + Volume growth from existing customers

Segment profit

- + Improvement in net inflationary impacts, including mitigation initiatives

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

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Other: NPHS, at-Home Solutions and OptiFreight®

Q3 FY24 results

	Q3 FY24 (\$M)	Q3 FY23 (\$M)	YoY change
Revenue	\$1,167	\$1,025	14%
Segment profit	\$111	\$106	5%
Segment profit margin	9.51%	10.34%	-83 bps

Drivers:

Revenue

- + Growth across the three operating segments

Segment profit

- + Performance of OptiFreight® Logistics

Other includes the following three operating segments: Nuclear and Precision Health Solutions (NPHS), at-Home Solutions and OptiFreight® Logistics, which are not significant enough individually to require reportable segment disclosure.

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

Outlook



FY24 financial expectations

	FY24 outlook	FY23 actual
Non-GAAP EPS	\$7.30 - \$7.40 <i>Previously \$7.20 - \$7.35</i>	\$5.79
Interest and Other	\$50M - \$65M	\$89M
Non-GAAP ETR	22.0% - 23.0% <i>Previously 23.0% - 24.0%</i>	22.8%
Diluted weighted average shares outstanding	~247M	262M
Share repurchases	~\$750M	\$2.0B
Capital expenditures	~\$500M	\$481M
Non-GAAP adjusted free cash flow	~\$2.5B	\$2.8B

Bold indicates an update to the FY24 financial expectations provided on February 1, 2024.

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.

FY24 segment guidance

Revenue and segment profit

Pharmaceutical and Specialty Solutions

Revenue growth of **10% to 12%**

Segment profit growth of **8.5% to 9.5%**

Previously 7% to 9%

Global Medical Products and Distribution

Revenue growth of **~2%**

Segment profit of **~\$65M**

Other

Revenue growth of **~12%**

Previously ~10%

Segment profit growth of **6% to 8%**

***Bold** indicates an update to the FY24 segment guidance provided on February 1, 2024.*

Reflects new segment reporting structure effective January 1, 2024.

Other includes the following three operating segments: Nuclear and Precision Health Solutions (NPHS), at-Home Solutions, and OptiFreight® Logistics, which are not significant enough individually to require reportable segment disclosure.

Preliminary FY25 financial expectations

	FY25 outlook
Non-GAAP EPS	At least \$7.50
Pharmaceutical and Specialty Solutions	At least 1% Segment profit growth
Global Medical Products and Distribution	~\$175M Segment profit
Other: NPHS, at-Home Solutions and OptiFreight®	~10% Segment profit growth
Interest and Other	\$160M - \$190M
Non-GAAP ETR	23.0% - 24.0%
Diluted weighted average shares outstanding	244M - 245M
Baseline share repurchases	\$500M

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.

Strategic priorities

Ruthless prioritization, resilient core and relentless focus

1 Build upon the growth and resiliency of Pharmaceutical and Specialty Solutions

2 Execute Medical Improvement Plan initiatives

3 Accelerate growth in key areas

4 Relentless focus on shareholder value creation

GMPD Improvement Plan

Strategic priorities	Areas of focus	Growth Target FY23-FY26 ¹
<p>1 Mitigate inflation and global supply chain constraints</p>	<p>Offset with mitigation initiatives</p> <ul style="list-style-type: none"> • Exit FY24 offsetting gross impact 	<p>~\$300M</p>
<p>2 Optimize and grow Cardinal Health™ Brand portfolio</p>	<p>Grow Cardinal Health™ Brand²</p> <ul style="list-style-type: none"> • New product innovation and investments in new capacity • In-channel and out-of-channel growth 	<p>~\$50M</p>
<p>3 Drive simplification and continued cost optimization</p>	<p>Net cost savings³</p> <ul style="list-style-type: none"> • Value improvement projects • Sourcing, transportation and manufacturing strategies 	<p>\$60M+</p>

The journey to **~\$300M in segment profit by FY26** in Global Medical Products and Distribution

No changes to the company’s GMPD Improvement Plan (formerly Medical Improvement Plan, with the components of the previous \$650M target now residing in GMPD and Other)

¹As of fiscal year 2022 baseline.

²Excludes PPE products and impacts from incremental inflation, global supply chain constraints, and certain portfolio optimization product category exits, on constant-currency basis.

³Gross GMPD cost savings, net of operational cost increases.

Our long-term targets: FY24-26

(FY23 Baseline)



4% to 6%
Growth CAGR



**Pharma and
Specialty Solutions**
Segment Profit

~\$300M
in FY26



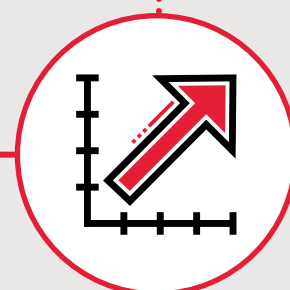
GMPD
Segment Profit

8% to 10%
Growth CAGR



Other
Segment Profit

**at least
\$2.25B**



**Share
repurchases¹**

12% to 14%
Growth CAGR



**non-GAAP diluted
EPS growth**

No changes to the company's long-term non-GAAP diluted EPS growth target of **12% to 14% growth CAGR** relative to FY23 baseline.

¹Includes \$500M of share repurchases executed in Q4 FY23, \$750M of share repurchases executed in FY24, plus at least \$500M of baseline share repurchases per year in FY25 and FY26.

Disciplined Capital Allocation Framework

FY24 – FY26

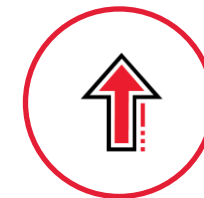
Table stakes



Investing back into the business to drive organic growth



Maintain investment grade balance sheet



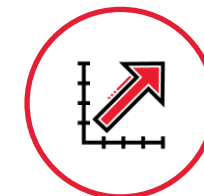
Baseline return of capital to shareholders

- Continue to grow the dividend
- Baseline share repurchases

Opportunistic levers



Active, disciplined and targeted M&A



Additional opportunistic share repurchases

FY24 Progress



~\$320M in capex YTD



Three positive outlook updates from credit rating agencies

Completed 3rd annual opioid settlement payment and certain settlement pre-payments



~\$875M in baseline capital returned to shareholders YTD

- \$500M FY24 baseline share repurchases
- \$375M in dividend payments



Completed acquisition of **Specialty Networks**, a tech-enabled multi-specialty platform



\$250M opportunistic share repurchases
\$1.1B total¹ returned to shareholders YTD

Compelling investment thesis

Moving healthcare forward



Pharmaceutical and Specialty Solutions

Resilient and growing business, supported by **key trends** and **strong core foundation**

Investing to **further accelerate Specialty** growth

Expecting **4% to 6% segment profit long-term growth CAGR**



Medical Products and Distribution

Executing our plan to **improve performance** in Global Medical Products and Distribution

Seeing momentum and expecting significant year-over-year improvement



Other Growth Areas

Favorable **long-term industry trends** for at-Home Solutions, NPHS and OptiFreight®

Investing to continue their **strong growth trajectories**



Cash flow and capital deployment

Continued **robust adjusted free cash flow** generation

Responsible capital deployment includes **disciplined M&A** and **significant return of capital** to shareholders



Value creation

Relentlessly focused on **maximizing shareholder value**

Continue to take actions to drive **additional value creation**



Defensive growth: Resilient business models and double-digit non-GAAP EPS growth opportunity

Appendix

Cardinal Health, Inc. and Subsidiaries
GAAP / Non-GAAP Reconciliation¹

	Gross Margin	Gross Growth Rate	SG&A ²	SG&A ² Growth Rate	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Taxes	Provision for Income Taxes	Net Earnings ³	Net Earnings ³ Growth Rate	Effective Tax Rate	Diluted EPS ³	Diluted EPS ³ Growth Rate							
Third Quarter 2024																				
GAAP	\$	1,947	9 %	\$	1,282	9 %	\$	367	(36)%	\$	341	\$	82	\$	258	(25)%	24.2 %	\$	1.05	(22)%
Shareholder cooperation agreement costs	-	-	-	(1)	1	1	1	-	1	-	-	-	-	-	-	-	-	-	-	-
Restructuring and employee severance	-	-	-	-	53	53	53	14	39	-	-	-	-	-	-	-	-	-	-	0.16
Amortization and other acquisition-related costs	-	-	-	-	80	80	80	21	59	-	-	-	-	-	-	-	-	-	-	0.24
Impairments and (gain)/loss on disposal of assets, net ⁴	-	-	-	-	84	84	84	(21)	105	-	-	-	-	-	-	-	-	-	-	0.44
Litigation (recoveries)/charges, net	-	-	-	-	81	81	81	34	47	-	-	-	-	-	-	-	-	-	-	0.19
Non-GAAP	\$	1,947	9 %	\$	1,281	9 %	\$	666	10 %	\$	640	\$	130	\$	509	14 %	20.4 %	\$	2.08	20 %
Third Quarter 2023																				
GAAP	\$	1,785	6 %	\$	1,179	4 %	\$	572	N.M.	\$	544	\$	197	\$	345	N.M.	36.3 %	\$	1.34	N.M.
Restructuring and employee severance	-	-	-	-	16	16	16	4	12	-	-	-	-	-	-	-	-	-	-	0.05
Amortization and other acquisition-related costs	-	-	-	-	74	74	74	19	55	-	-	-	-	-	-	-	-	-	-	0.21
Impairments and (gain)/loss on disposal of assets, net ⁴	-	-	-	-	20	20	20	(69)	89	-	-	-	-	-	-	-	-	-	-	0.35
Litigation (recoveries)/charges, net	-	-	-	-	(76)	(76)	(76)	(22)	(54)	-	-	-	-	-	-	-	-	-	-	(0.21)
Non-GAAP	\$	1,785	6 %	\$	1,179	4 %	\$	606	11 %	\$	578	\$	129	\$	447	11 %	22.4 %	\$	\$1.74	20 %

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 months ended March 31, 2024, impairments and (gain)/loss on disposal of assets, net includes a pre-tax goodwill impairment charges of \$90 million related to the GMPD segment. For fiscal 2024, the estimated net tax benefit related to the impairments is \$56 million and is included in the annual effective tax rate. As a result, the amount of tax expense recognized increased approximately by an incremental \$30 million during the three months ended March 31, 2024.

For the nine months ended March 31, 2023, impairments and (gain)/loss on disposal of assets, net included pre-tax impairment charges of \$863 million related to the Global Medical Products and Distribution segment. For fiscal 2023, the net tax benefit related to the impairment was \$68 million and was included in the annual effective tax rate. As a result, the amount of tax expense recognized increased approximately by an incremental \$74 million during the three months ended March 31, 2023.

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	SG&A ² Growth Rate	Operating Earnings	Operating Earnings Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings ³	Net Earnings ³ Growth Rate	Effective Tax Rate	Diluted EPS ³	Diluted Growth Rate	
Fiscal Year 2023														
<i>(in millions, except per common share amounts)</i>														
GAAP	\$	6,889	5 %	\$ 4,834	6 %	\$ 727	N.M.	\$ 638	\$ 376	261	N.M.	58.9 %	\$ 1.00	N.M.
State opioid assessment related to prior fiscal years		-		6		(6)		(6)	(2)	(4)			(0.02)	
Shareholder cooperation agreement costs		-		(8)		8		8	2	6			0.02	
Restructuring and employee severance		-		-		95		95	21	74			0.28	
Amortization and other acquisition-related costs		-		-		285		285	74	211			0.80	
Impairments and (gain)/loss on disposal of assets, net ⁴		-		-		1,250		1,250	86	1,164			4.44	
Litigation (recoveries)/charges, net		-		-		(302)		(302)	(109)	(193)			(0.73)	
Non-GAAP	\$	6,889	5 %	\$ 4,832	6 %	\$ 2,057	3 %	\$ 1,968	\$ 448	1,519	7 %	22.8 %	\$ 5.79	14 %

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 Impairments and (gain)/loss on disposals of assets, net includes pre-tax cumulative goodwill impairment charges of \$1.2 billion related to our Medical segment recorded in fiscal 2023. For fiscal 2023, the net tax benefit related to these charges was \$82 million and was included in the annual effective tax rate.

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

(in millions)	Third Quarter		Year-to-Date	
	2024	2023	2024	2023
GAAP - Cash Flow Categories				
Net cash provided by/(used in) operating activities	\$ (49)	\$ 1,361	\$ 1,685	\$ 1,981
Net cash used in investing activities	(1,847)	(91)	(2,015)	(248)
Net cash provided by/(used in) financing activities	1,031	(934)	12	(2,459)
Effect of exchange rates changes on cash and equivalents	(8)	—	(7)	(1)
Net increase/(decrease) in cash and equivalents	\$ (873)	\$ 336	\$ (325)	\$ (727)
Non-GAAP Adjusted Free Cash Flow				
Net cash provided by/(used in) operating activities	\$ (49)	\$ 1,361	\$ 1,685	\$ 1,981
Additions to property and equipment	(112)	(109)	(318)	(264)
Payments related to matters included in litigation (recoveries)/charges, net	246	57	761	373
Non-GAAP Adjusted Free Cash Flow	\$ 85	\$ 1,309	\$ 2,128	\$ 2,090

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

Cardinal Health, Inc. and Subsidiaries
Segment Information

(in millions)	Third Quarter					
	Pharmaceutical and Specialty Solutions		Global Medical Products and Distribution		Other	
	2024	2023	2024	2023	2024	2023
Revenue						
Amount	\$ 50,651	\$ 46,496	\$ 3,113	\$ 2,989	\$ 1,167	\$ 1,025
Growth rate	9 %	14 %	4 %	(8)%	14 %	16 %
Segment profit						
Amount	\$ 580	\$ 560	\$ 20	\$ (46)	\$ 111	\$ 106
Growth rate	4 %	23 %	N.M.	N.M.	5 %	13 %
Segment profit margin	1.15%	1.20 %	0.64%	(1.54)%	9.51%	10.34 %

(in millions)	Year-to-Date					
	Pharmaceutical and Specialty Solutions		Global Medical Products and Distribution		Other	
	2024	2023	2024	2023	2024	2023
Revenue						
Amount	\$ 154,524	\$ 139,441	\$ 9,264	\$ 9,140	\$ 3,392	\$ 3,038
Growth rate	11 %	15 %	1 %	(10)%	12 %	16 %
Segment profit						
Amount	\$ 1,541	\$ 1,394	\$ 18	\$ (175)	\$ 319	\$ 305
Growth rate	11 %	13 %	N.M.	N.M.	5 %	6 %
Segment profit margin	1.00%	1.00 %	0.19%	(1.91)%	9.40%	10.04 %

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

Our previously reported fiscal 2023 segment results have been recast to conform to our new reporting structure and reflect changes in the elimination of inter-segment revenue and allocated corporate expenses for shared functions, which are driven by the reporting structure change.

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 2024 GAAP results. Over the past five fiscal years, the excluded items have impacted the Company's EPS from \$0.75 to \$18.06, which included 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 in this report 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).

Non-GAAP distribution, selling, general and administrative expenses or Non-GAAP SG&A: distribution, selling, general and administrative expenses, excluding state opioid assessment related to prior fiscal years and shareholder cooperation agreement costs.

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

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

Non-GAAP net earnings attributable to Cardinal Health, Inc.: net earnings attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) state opioid assessment related to prior fiscal years, (3) shareholder cooperation agreement costs, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, net, (7) litigation (recoveries)/charges, net and (8) loss on early extinguishment of debt, each net of tax.

Non-GAAP effective tax rate: provision for income taxes adjusted for the tax impacts of (1) LIFO charges/(credits), (2) state opioid assessment related to prior fiscal years, (3) shareholder cooperation agreement costs, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, net, (7) litigation (recoveries)/charges, net and (8) loss on early extinguishment of debt divided by (earnings before income taxes adjusted for the eight items above).

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/(used in) 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.

Cardinal Health, Inc. and Subsidiaries

Definitions continued

¹ LIFO charges and credits are excluded because the factors that drive last-in first-out ("LIFO") inventory charges or credits, such as pharmaceutical manufacturer price appreciation or deflation and year-end inventory levels (which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end), are largely out of our control and cannot be accurately predicted. The exclusion of LIFO charges and credits from non-GAAP metrics facilitates comparison of our current financial results to our historical financial results and to our peer group companies' financial results. We did not recognize any LIFO charges or credits during the periods presented.

² 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 due to changes in estimates or when the underlying assessments were invalidated by a Court or reimbursed by manufacturers.

³ Shareholder cooperation agreement costs includes costs such as legal, consulting and other expenses incurred in relation to the agreement (the "Cooperation Agreement") entered into among Elliott Associates, L.P., Elliott International, L.P. (together, "Elliott") and Cardinal Health, including costs incurred to negotiate and finalize the Cooperation Agreement and costs incurred by the Business Review Committee of the Board of Directors, which was formed under this Cooperation Agreement. We have excluded these costs from our non-GAAP metrics because they do not occur in or reflect the ordinary course of our ongoing business operations and may obscure analysis of trends and financial performance.

⁴ Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business and include, but are not limited to, costs related to divestitures, closing and consolidating facilities, changing the way we manufacture or distribute our products, moving manufacturing of a product to another location, changes in production or business process outsourcing or insourcing, employee severance and realigning operations.

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, net 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.

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.

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/(used in) 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.