# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-11373

# Cardinal Health, Inc.

***(Exact name of registrant as specified in its charter)***

| **Ohio** | **31-0958666** |
|---|---|
| ***(State or other jurisdiction of incorporation or organization)*** | ***(IRS Employer Identification No.)*** |
| **7000 Cardinal Place , Dublin , Ohio** | **43017** |
| ***(Address of principal executive offices)*** | ***(Zip Code)*** |

**(614) 757-5000**

***(Registrant's telephone number, including area code)***

**Securities registered pursuant to Section 12(b) of the Act:**

| *Title of each class* | *Trading Symbol(s)* | *Name of each exchange on which registered* |
|---|---|---|
| **Common shares (without par value)** | **CAH** | **New York Stock Exchange** |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☑ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of the registrant's common shares, without par value, outstanding as of January 26, 2024, was the following:243,233,153.

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# About Cardinal Health

Cardinal Health, Inc., an Ohio corporation formed in 1979, is a global healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories, physician offices and patients in the home. We provide pharmaceuticals and medical products and cost-effective solutions that enhance supply chain efficiency. We connect patients, providers, payers, pharmacists and manufacturers for integrated care coordination and better patient management. We manage our business and report our financial results in two segments: Pharmaceutical and Medical. As used in this report, “we,” “our,” “us,” and similar pronouns refer to Cardinal Health, Inc. and its majority-owned and consolidated subsidiaries, unless the context requires otherwise. Our fiscal year ends on June 30. References to fiscal 2024 and fiscal 2023 and to FY24 and FY23 are to the fiscal years ending or ended June 30, 2024 and June 30, 2023, respectively.

# Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 (this "Form 10-Q") (including information incorporated by reference) includes "forward-looking statements" addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. Many forward-looking statements appear in Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), but there are others in this Form 10-Q, which 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 expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those made, projected or implied. The most significant of these risks and uncertainties are described in this Form 10-Q, including Exhibit 99.1, and in "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 (our “2023 Form 10-K”). Forward-looking statements in this Form 10-Q speak only as of the date of this document. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statement.

# Non-GAAP Financial Measures

In the "Overview of Consolidated Results" section of MD&A, we use financial measures that are derived from our consolidated financial data but are not presented in our condensed consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These measures are considered "non-GAAP financial measures" under the United States Securities and Exchange Commission ("SEC") rules. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are included in the “Explanation and Reconciliation of Non-GAAP Financial Measures” section following MD&A in this Form 10-Q.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis presented below is concerned with material changes in financial condition and results of operations, including amounts and certainty of cash flows from operations and from outside sources, between the periods specified in our condensed consolidated balance sheets at December 31, 2023 and June 30, 2023, and in our condensed consolidated statements of earnings/(loss) for the three and six months ended December 31, 2023 and 2022. All comparisons presented are with respect to the prior-year period, unless stated otherwise. This discussion and analysis should be read in conjunction with the MD&A included in our 2023 Form 10-K.

# Overview of Consolidated Results

## Revenue

During the three and six months ended December 31, 2023, revenue increased 12 percent and 11 percent to $57.4 billion and $112.2 billion, respectively, primarily due to branded and specialty pharmaceutical sales growth from existing customers.

## GAAP and Non-GAAP Operating Earnings/(Loss)

| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2023** | 2022 | **Change** | **2023** | 2022 | **Change** |
| **GAAP operating earnings/(loss)** | **$ 482** | $ (119) | **N.M.** | **$ 468** | $ 18 | **N.M.** |
| Surgical gown recall income | **(1)** | — | | **(1)** | — | |
| State opioid assessment related to prior fiscal years | **—** | (6) | | **—** | (6) | |
| Shareholder cooperation agreement costs | **—** | 2 | | **—** | 8 | |
| Restructuring and employee severance | **28** | 17 | | **53** | 46 | |
| Amortization and other acquisition-related costs | **63** | 71 | | **127** | 142 | |
| Impairments and (gain)/loss on disposal of assets, net | **1** | 710 | | **538** | 863 | |
| Litigation (recoveries)/charges, net | **(11)** | (207) | | **(52)** | (180) | |
| **Non-GAAP operating earnings** | **$ 562** | $ 467 | **20 %** | **$ 1,133** | $ 891 | **27 %** |

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

We had GAAP operating earnings of $482 million during the three months ended December 31, 2023 and a GAAP operating loss of $119 million during the three months ended December 31, 2022, which reflects the $709 million pre-tax goodwill impairment charge related to the Medical segment recognized during the three months ended December 31, 2022.

We had GAAP operating earnings of $468 million and $18 million during the six months ended December 31, 2023 and 2022, respectively, which included $581 million and $863 million pre-tax goodwill impairment charges related to the Medical segment, respectively. See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and Note 4 of the "Notes to Condensed Consolidated Financial Statements" for additional detail related to goodwill impairment.

GAAP operating earnings during the three and six months ended December 31, 2022 were favorably impacted by litigation recoveries. See "Results of Operations" section of this MD&A and Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional detail related to litigation recoveries.

Non-GAAP operating earnings during the three and six months ended December 31, 2023 increased 20 percent and 27 percent, respectively, due to an increase in Pharmaceutical and Medical segment profit.

## GAAP and Non-GAAP Diluted EPS

| ($ per share) | Three Months Ended December 31, 2023 | Three Months Ended December 31, 2022 | Three Months Ended December 31, Change | Six Months Ended December 31, 2023 | Six Months Ended December 31, 2022 | Six Months Ended December 31, Change |
|---|---|---|---|---|---|---|
| **GAAP diluted EPS** [1] | **$ 1.43** | $ (0.50) | **N.M.** | **$ 1.44** | $ (0.08) | **N.M.** |
| Surgical gown recall income | **—** | — | | **—** | — | |
| State opioid assessment related to prior fiscal years | **—** | (0.02) | | **—** | (0.02) | |
| Shareholder cooperation agreement costs | **—** | 0.01 | | **—** | 0.02 | |
| Restructuring and employee severance | **0.09** | 0.05 | | **0.16** | 0.13 | |
| Amortization and other acquisition-related costs | **0.19** | 0.20 | | **0.38** | 0.40 | |
| Impairments and (gain)/loss on disposal of assets, net [2] | **0.14** | 2.06 | | **1.71** | 2.46 | |
| Litigation (recoveries)/charges, net | **(0.03)** | (0.48) | | **(0.14)** | (0.39) | |
| **Non-GAAP diluted EPS** [1] | **$ 1.82** | $ 1.32 | **38 %** | **$ 3.55** | $ 2.52 | **41 %** |

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

The reconciling items are presented within this table net of tax. See quantification of tax effect of each reconciling item in our GAAP to Non-GAAP Reconciliations in the "Explanation and Reconciliation of Non-GAAP Financial Measures."

(1) Diluted earnings/(loss) per share attributable to Cardinal Health, Inc. ("diluted EPS").

(2) For the six months ended December 31, 2023, impairments and (gain)/loss on disposal of assets, net includes a pre-tax goodwill impairment charge of $581 million related to the Medical segment. For fiscal 2024, the net tax benefit related to the impairment charge is $45 million and is included in the annual effective tax rate. As a result, the tax benefit for the six months ended December 31, 2023 increased approximately by an incremental $65 million and will increase the provision for income taxes for the remainder of fiscal 2024.

For the three and six months December 31, 2022, impairments and (gain)/loss on disposal of assets, net included cumulative pre-tax goodwill impairment charges of $709 million and $863 million, respectively, related to the Medical segment. For fiscal 2023, the net tax benefit related to these impairment charges was $68 million and was included in the annual effective tax rate. As a result, the amount of tax benefit increased approximately by an incremental $118 million and $140 million for the three and six months ended December 31, 2022, respectively, and increased the provision for income taxes for the remainder of fiscal 2023.

During the three and six months ended December 31, 2023, GAAP diluted EPS was favorably impacted by an increase in Pharmaceutical and Medical segment profit. GAAP diluted EPS was adversely impacted by the goodwill impairment charges related to the Medical segment, which had a $(1.91) per share after tax impact during the six months ended December 31, 2023, and $(2.05) and $(2.46) per share after tax impact during the three and six months ended December 31, 2022, respectively. See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A, and Note 4 and Note 7 of the "Notes to Condensed Consolidated Financial Statements" for additional detail. GAAP EPS during the three and six months ended December 31, 2022 also includes the favorable impact of litigation recoveries as described further in the "Results of Operations" section of this MD&A and Note 6 of the "Notes to Condensed Consolidated Financial Statements."

During the three and six months ended December 31, 2023, non-GAAP diluted EPS increased 38 percent and 41 percent to $1.82 and $3.55 per share, respectively, due to higher non-GAAP operating earnings, a lower share count and interest expense.

## Cash and Equivalents

Our cash and equivalents balance was $4.6 billion at December 31, 2023 compared to $4.0 billion at June 30, 2023. During the six months ended December 31, 2023, net cash provided by operating activities was $1.7 billion, which includes the impact of our annual payment of $378 million related to the agreement to settle the vast majority of the opioid lawsuits filed by states and local governmental entities (the "National Opioid Settlement Agreement"). In addition, during the six months ended December 31, 2023, we deployed $750 million for share repurchases, $255 million for cash dividends and $206 million for capital expenditures.

# Significant Developments in Fiscal 2024 and Trends

## Operating and Segment Reporting Structure Changes

In January 2024, we announced a change in our organizational structure and have re-aligned our reporting structure under two reportable segments, effective January 1, 2024: Pharmaceutical and Specialty Solutions segment and Global Medical Products and Distribution segment. All remaining operating segments that are not significant enough to require separate reportable segment disclosures are included in Other. Results in this Form 10-Q are reported under our prior organizational and reporting structure. The following indicates the changes from the second quarter of fiscal 2024 to the new reporting structure, which will be reported for the first time in the third quarter of fiscal 2024:

- Pharmaceutical and Specialty Solutions segment: This reportable segment will be comprised of all businesses formerly within our Pharmaceutical segment except Nuclear and Precision Health Solutions.
- Global Medical Products and Distribution segment: This reportable segment will be comprised of all businesses formerly within our Medical segment except at-Home Solutions and OptiFreight Logistics.
- Other: This will consist of the remaining operating segments, Nuclear and Precision Health Solutions, at-Home Solutions and OptiFreight Logistics.

## Pharmaceutical Segment

**Specialty Networks Acquisition**

On January 31, 2024, we announced that we had entered into a definitive agreement to acquire Specialty Networks, a technology-enabled multi-specialty group purchasing and practice enhancement organization for a purchase price of $1.2 billion in cash, subject to certain adjustments. Specialty Networks creates clinical and economic value for independent specialty providers and partners across multiple specialty GPOs: UroGPO, Gastrologix and GastroGPO, and United Rheumatology. The acquisition will further expand our offering in key therapeutic areas by enhancing our downstream provider-focused analytics capabilities and service offerings and by accelerating our upstream data and research opportunities with biopharma manufacturers.

This transaction is subject to the satisfaction of customary closing conditions, including receipt of required regulatory approvals. We plan to fund the acquisition with available cash.

**COVID-19 Vaccine Distribution**

Pharmaceutical segment profit was favorably impacted during the three and six months ended December 31, 2023 on a year-over-year basis in part due to the company beginning to distribute the recently commercially available COVID-19 vaccines following U.S. Food and Drug Administration approval of updated vaccines in September 2023. The timing, magnitude and profit impact of vaccine distribution volume for the remainder of fiscal 2024 and beyond remains uncertain.

**Generics Program**

The performance of our Pharmaceutical segment generics program positively impacted the year-over-year comparison of Pharmaceutical segment profit during the three and six months ended December 31, 2023. The Pharmaceutical segment generics program includes, among other things, the impact of generic pharmaceutical product launches, customer volumes, pricing changes, the Red Oak Sourcing, LLC venture ("Red Oak Sourcing") with CVS Health Corporation ("CVS Health") and generic pharmaceutical contract manufacturing and sourcing costs.

The frequency, timing, magnitude and profit impact of generic pharmaceutical customer volumes, pricing changes, customer contract renewals, generic pharmaceutical manufacturer pricing changes and generic pharmaceutical contract manufacturing and sourcing costs all impact Pharmaceutical segment profit and are subject to risks and uncertainties. These risks and uncertainties may impact Pharmaceutical segment profit and consolidated operating earnings during the remainder of fiscal 2024.

## Medical Segment

**Inflationary Impacts**

Beginning in fiscal 2022, Medical segment profit was negatively affected by incremental inflationary impacts, primarily related to transportation (including ocean and domestic freight), commodities and labor, and global supply chain constraints. Since that time, we have taken actions to partially mitigate these impacts, including implementing certain price increases and evolving our pricing and

commercial contracting processes to provide us with greater pricing flexibility. In addition, decreases in some product-related costs have been recognized as the higher-cost inventory moved through our supply chain and was replaced by lower-cost inventory. These net inflationary impacts negatively affected Medical segment profit during fiscal 2023. The net inflationary impacts were less significant during the three and six months ended December 31, 2023 and had a favorable impact on Medical segment profit on a year-over-year basis.

We expect these net inflationary impacts to continue to affect Medical segment profit during the remainder of fiscal 2024, but to a significantly lesser extent than in fiscal 2023 and prior periods, due to our mitigation actions, together with continued decreases in certain product-related costs. However, these inflationary costs are difficult to predict and may be greater than we expect or continue longer than our current expectations. Our actions to increase prices and evolve our contracting strategies are subject to contingencies and uncertainties and it is possible that our results of operations will be adversely impacted to a greater extent than we currently anticipate or that we may not be able to mitigate the negative impact to the extent or on the timeline we anticipate.

**Volumes within Products and Distribution**

Medical segment profit was adversely impacted during fiscal 2023 in part due to lower volumes within products and distribution, which includes our Cardinal Health branded medical products. We expect Cardinal Health branded medical products sales growth in fiscal 2024 and beyond. The timing, magnitude and profit impact of this anticipated sales growth is subject to risks and uncertainties, which may impact Medical segment profit.

**Medical Segment Goodwill**

The change in segment structure as discussed above will result in changes to the composition of our reporting units. Accordingly, we will be required to reallocate the goodwill in reporting units affected by the change using a relative fair value approach and assess goodwill for impairment both before and after the reallocation. While we have not identified any indicators of impairment during the three months ended December 31, 2023 within the current reporting units, we may recognize a goodwill impairment charge following the reallocation if the carrying value of a new reporting unit exceeds its estimated fair value.

During the three months ended September 30, 2023, we performed interim goodwill impairment testing for the Medical operating segment (excluding our Cardinal Health at-Home Solutions division) ("Medical Unit") due to an increase in the risk-free interest rate. This testing resulted in a pre-tax charge of $581 million which was included in impairments and (gain)/loss on disposal of assets, net in our condensed consolidated statements of earnings/(loss). See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and Note 4 of the "Notes to Condensed Consolidated Financial Statements" for additional detail. Adverse changes in key assumptions or a significant change in industry or economic trends during the remainder of fiscal 2024 and beyond could result in additional goodwill impairments.

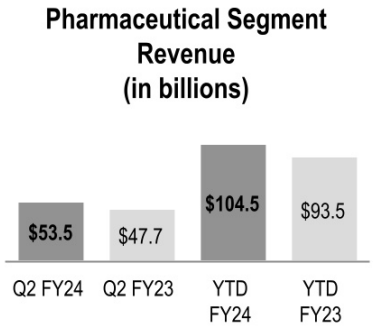
## Shareholder Cooperation Agreement

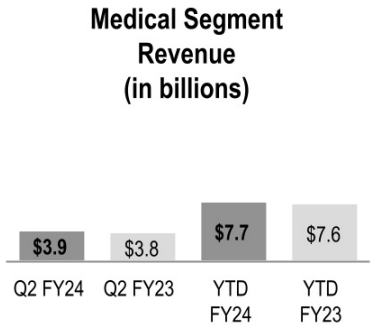
In September 2022, we entered into a Cooperation Agreement (the "Cooperation Agreement") with Elliott Associates, L.P. and Elliott International, L.P. (together, "Elliott") under which our Board of Directors (the "Board"), among other things, (1) appointed four new independent directors, including a representative from Elliott, and (2) formed an advisory Business Review Committee of the Board, which is tasked with undertaking a comprehensive review of our strategy, portfolio, capital-allocation framework and operations. In May 2023, we extended the term of the Cooperation Agreement until the later of July 15, 2024 or until Elliott's representative ceases to serve on, or resigns from, the Board. In connection with this extension, the Board has extended the term of the Business Review Committee until July 15, 2024.

The evaluation and implementation of any actions recommended by the Business Review Committee and the Board have impacted and may continue to impact our business, financial position and results of operations during the remainder of fiscal 2024 and beyond. We have incurred, and may incur additional legal, consulting and other expenses related to the Cooperation Agreement and the activities of the Business Review Committee.

# Results of Operations

## Revenue




| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Pharmaceutical | $ 53,520 | $ 47,673 | 12 % | $ 104,526 | $ 93,501 | 12 % |
| Medical | 3,928 | 3,797 | 3 % | 7,688 | 7,575 | 1 % |
| Total segment revenue | 57,448 | 51,470 | 12 % | 112,214 | 101,076 | 11 % |
| Corporate | (3) | (1) | N.M. | (6) | (4) | N.M. |
| **Total revenue** | $ 57,445 | $ 51,469 | 12 % | $ 112,208 | $ 101,072 | 11 % |

### Pharmaceutical Segment

Pharmaceutical segment revenue increased during the three and six months ended December 31, 2023 due to branded and specialty pharmaceutical sales growth, largely from existing customers, which increased revenue by $5.8 billion and $10.9 billion, respectively.

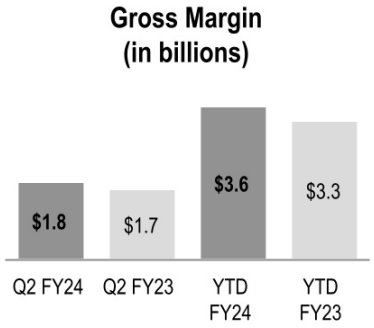
### Medical Segment

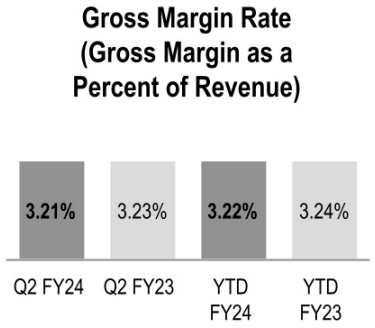
Medical segment revenue increased during the three and six months ended December 31, 2023, primarily due to sales growth in at-Home Solutions and in products and distribution. The increase in products and distribution was primarily driven by higher Cardinal Health brand volumes and the effect of price increases to mitigate inflationary impacts partially offset by the adverse impact of personal protective equipment ("PPE") volumes and pricing.

## Cost of Products Sold

Cost of products sold for the three and six months ended December 31, 2023 increased 12 percent to $55.6 billion and $108.6 billion, respectively, compared to the prior-year periods due to the factors affecting the changes in revenue and gross margin.

## Gross Margin




| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2023** | 2022 | **Change** | **2023** | 2022 | **Change** |
| Gross margin | **$ 1,846** | $ 1,663 | **11 %** | **$ 3,614** | $ 3,277 | **10 %** |

Gross margin increased during the three and six months ended December 31, 2023 primarily due to the beneficial comparison to the prior-year net inflationary impacts in the Medical segment, the performance of our generics program in the Pharmaceutical segment and increased contribution from branded pharmaceutical and specialty pharmaceutical products, which includes the favorable impact from COVID-19 vaccine distribution.

Gross margin rate declined 2 basis points during both the three and six months ended December 31, 2023, with the impact of unfavorable changes in overall product mix mostly offset by the beneficial comparison to the prior-year net inflationary impacts in the Medical segment and the performance of our generics program in the Pharmaceutical segment. The changes in overall product mix were primarily driven by increased pharmaceutical distribution branded sales, which have a dilutive impact on our overall gross margin rate.

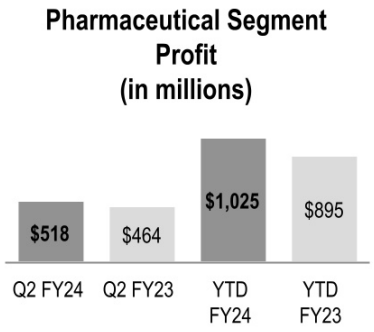
## Distribution, Selling, General and Administrative ("SG&A") Expenses

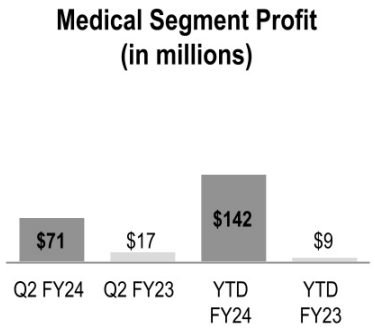
| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2023** | 2022 | **Change** | **2023** | 2022 | **Change** |
| SG&A expenses | **$ 1,283** | $ 1,191 | **8 %** | **$ 2,480** | $ 2,388 | **4 %** |

During the three and six months ended December 31, 2023, SG&A expenses increased primarily due to higher costs to support sales growth, expenses related to investment projects and compensation-related costs.

## Segment Profit

We evaluate segment performance based on segment profit, among other measures. See Note 12 of the "Notes to Condensed Consolidated Financial Statements" for additional information on segment profit.




| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Pharmaceutical | $ 518 | $ 464 | 12 % | $ 1,025 | $ 895 | 15 % |
| Medical | 71 | 17 | N.M | 142 | 9 | N.M |
| Total segment profit | 589 | 481 | 22 % | 1,167 | 904 | 29 % |
| Corporate | (107) | (600) | N.M. | (699) | (886) | N.M. |
| **Total consolidated operating earnings/(loss)** | $ 482 | $ (119) | N.M. | $ 468 | $ 18 | N.M. |

### Pharmaceutical Segment Profit

Pharmaceutical segment profit increased during the three and six months ended December 31, 2023 primarily due to the performance of our generics program and increased contribution from branded pharmaceutical and specialty pharmaceutical products, which includes the favorable impact from COVID-19 vaccine distribution, partially offset by higher costs to support sales growth.

### Medical Segment Profit

Medical segment profit increased during the three and six months ended December 31, 2023 due to the beneficial comparison to the prior-year net inflationary impacts, including the effects of mitigation actions.

### Corporate

The changes in Corporate during the three and six months ended December 31, 2023 were due to the factors discussed in the "Other Components of Consolidated Operating Earnings/(Loss)" section that follows.

## Other Components of Consolidated Operating Earnings/(Loss)

In addition to revenue, gross margin and SG&A expenses discussed previously, consolidated operating earnings/(loss) were impacted by the following:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| (in millions) | **2023** | 2022 | **2023** | 2022 |
| Restructuring and employee severance | **$ 28** | $ 17 | **$ 53** | $ 46 |
| Amortization and other acquisition-related costs | **63** | 71 | **127** | 142 |
| Impairments and (gain)/loss on disposal of assets, net | **1** | 710 | **538** | 863 |
| Litigation (recoveries)/charges, net | **(11)** | (207) | **(52)** | (180) |

**Restructuring and Employee Severance**

Restructuring and employee severance costs during the three and six months ended December 31, 2023 were primarily related to certain projects resulting from reviews of our strategy, portfolio, capital-allocation framework and operations and the implementation of certain enterprise-wide cost-savings measures. During the three and six months ended December 31, 2022, costs were primarily related to the implementation of certain enterprise-wide cost-savings measures.

**Amortization and Other Acquisition-Related Costs**

Amortization of acquisition-related intangible assets was $63 million and $71 million for the three months ended December 31, 2023 and 2022, respectively, and $127 million and $142 million for the six months ended December 31, 2023 and 2022, respectively.

**Impairments and (Gain)/Loss on Disposal of Assets, Net**

We recognized $581 million of pre-tax non-cash goodwill impairment charges related to our Medical segment during the six months ended December 31, 2023, and $709 million and $863 million during the three and six months ended December 31, 2022, respectively, as discussed further in the "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and Note 4 of the "Notes to Condensed Consolidated Financial Statements."

**Litigation (Recoveries)/Charges, Net**

We recognized income for net recoveries in class action antitrust lawsuits in which we were a class member or plaintiff of $31 million and $71 million during the three and six months ended December 31, 2023, respectively, and $66 million during the three and six months ended December 31, 2022.

During the three and six months ended December 31, 2023, we recognized a $22 million charge related to an agreement in principle with the Alabama Attorney General, under which we would pay approximately $123 million to the State of Alabama over a period of ten years to resolve opioid-related claims brought by the State and its political subdivisions. See Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

We recognized income of $46 million and $25 million during the three and six months ended December 31, 2022, respectively, primarily related to a reduction of the reserve for the estimated settlement and defense costs for the Cordis OptEase and TrapEase inferior vena cava ("IVC") product liability due to the execution of certain settlement agreements.

During the three and six months ended December 31, 2022, we recognized income of $93 million due to net proceeds from the settlement of a shareholder derivative litigation matter.

## Earnings/(Loss) Before Income Taxes

In addition to the items discussed above, earnings/(loss) before income taxes were impacted by the following:

| | Three Months Ended December 31, | | | Six Months Ended December 31, | | |
|---|---|---|---|---|---|---|
| (in millions) | **2023** | 2022 | **Change** | **2023** | 2022 | **Change** |
| Other (income)/expense, net | **$ (16)** | $ (7) | **N.M.** | **$ (18)** | $ (5) | **N.M.** |
| Interest expense, net | **8** | 25 | **(68)%** | **22** | 50 | **(56)%** |

**Interest Expense, Net**

During the three and six months ended December 31, 2023, interest expense decreased by 68 percent and 56 percent, respectively, primarily due to increased interest income from cash and equivalents.

## Provision for Income Taxes

The effective tax rate was 27.7 percent and 5.4 percent during the three months ended December 31, 2023 and 2022, respectively, and 22.4 percent and 30.0 percent during the six months ended December 31, 2023 and 2022, respectively. These tax rates reflect the impact of the tax effects of goodwill impairment charges as well as certain other discrete items. See Note 7 of the "Notes to Condensed Consolidated Financial Statements" for additional information, during the three and six months ended December 31, 2023 and 2022.

**Tax Effects of Goodwill Impairment Charges**

During the six months ended December 31, 2023, we recognized cumulative pre-tax goodwill impairment charges of $581 million related to the Medical Unit. The net tax benefit related to these charges is $45 million for fiscal 2024.

Unless an item is considered discrete because it is unusual or infrequent, the tax impact of the item is included in our estimated annual effective tax rate. When items are recognized through our estimated annual effective tax rate, we apply our estimated annual effective tax rate to the earnings/(loss) before income taxes for the year-to-date period to compute our impact from income taxes for the current quarter and year-to-date period. The tax impacts of discrete items are recognized in their entirety in the period in which they occur.

The tax effect of the goodwill impairment charges recorded during the six months ended December 31, 2023 was included in our estimated annual effective tax rate because it was not considered unusual or infrequent, given that we recorded goodwill impairments in prior fiscal years. The impact of the non-deductible goodwill increased the estimated annual effective tax rate for fiscal 2024. Applying the higher tax rate to the pre-tax income for the six months ended December 31, 2023 resulted in recognizing an incremental interim tax benefit of approximately $65 million which impacted the provision for income taxes in the condensed consolidated statements of earnings/(loss) during the three months ended December 31, 2023 and prepaid expenses and other assets in the condensed consolidated balance sheet at December 31, 2023. The incremental interim tax benefit will reverse in the future quarters of fiscal 2024.

# Liquidity and Capital Resources

We currently believe that, based on available capital resources and projected operating cash flow, we have adequate capital resources to fund our operations and expected future cash needs as described below. If we decide to engage in one or more acquisitions in addition to the acquisition of Specialty Networks, depending on the size and timing of such transactions, we may need to access capital markets for additional financing.

## Cash and Equivalents

Our cash and equivalents balance was $4.6 billion at December 31, 2023 compared to $4.0 billion at June 30, 2023.

During the six months ended December 31, 2023, net cash provided by operating activities was $1.7 billion, which includes the impact of our annual payment of $378 million related to the National Opioid Settlement Agreement. In addition, we deployed cash of $750 million for share repurchases, $255 million for cash dividends and $206 million for capital expenditures.

At December 31, 2023, our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

Changes in working capital, which impact operating cash flow, can vary significantly depending on factors such as the timing of customer payments, inventory purchases, payments to vendors and tax payments in the regular course of business, as well as fluctuating working capital needs driven by customer and product mix.

The cash and equivalents balance at December 31, 2023 includes $670 million of cash held by subsidiaries outside of the United States.

## Other Financing Arrangements and Financial Instruments

### Credit Facilities and Commercial Paper

In addition to cash and equivalents and operating cash flow, other sources of liquidity at December 31, 2023 include a $2.0 billion commercial paper program, backed by a $2.0 billion revolving credit facility. We also have a $1.0 billion committed receivables sales facility. At December 31, 2023, we had no amounts outstanding under our commercial paper program, revolving credit facility, or our committed receivables sales facility.

In February 2023, we extended our $2.0 billion revolving credit facility through February 25, 2028. In September 2022, we renewed our committed receivables sales facility program through Cardinal Health Funding, LLC ("CHF") through September 30, 2025. In September 2023, Cardinal Health 23 Funding, LLC was added as a seller under our committed receivables sales facility.

Our revolving credit and committed receivables sales facilities require us to maintain a consolidated net leverage ratio of no more than 3.75-to-1. As of December 31, 2023, we were in compliance with this financial covenant.

### Long-Term Debt and Other Short-Term Borrowings

We had total long-term obligations, including the current portion and other short-term borrowings, of $4.7 billion at both December 31, 2023 and June 30, 2023.

# Capital Deployment

## Opioid Litigation Settlement Agreement

We had $5.47 billion accrued at December 31, 2023 related to certain opioid litigation, as further described within Note 6 of the "Notes to Condensed Consolidated Financial Statements." We expect the majority of the remaining payment amounts to occur through 2038. During the six months ended December 31, 2023, we made our third annual payment of $378 million under the National Opioid Settlement Agreement. The amounts of these future payments may differ from the payments that we have already made.

In January 2024, we made payments of approximately $238 million to prepay at a pre-negotiated discount certain future payment amounts totaling approximately $344 million owed under each of the National Opioid Settlement Agreement, West Virginia Subdivisions Settlement Agreement and settlement agreements with Native American tribes and Cherokee Nation. The majority of the prepayment relates to the seventh annual payment as due under the National Opioid Settlement Agreement. As a result of these prepayments, we expect to recognize income of approximately $100 million in litigation charges/(recoveries), net in our condensed consolidated statements of earnings/(loss) during the three months ended March 31, 2024.

## Capital Expenditures

Capital expenditures during the six months ended December 31, 2023 and 2022 were $206 million and $155 million, respectively.

## Dividends

On each of May 11, 2023, August 9, 2023, and November 14, 2023, our Board of Directors approved a quarterly dividend of $0.5006 per share, or $2.00 per share on an annualized basis, which were paid on July 15, 2023, October 15, 2023, and January 15, 2024 to shareholders of record on July 3, 2023, October 3, 2023, and January 2, 2024, respectively.

## Share Repurchases

During the six months ended December 31, 2023, we deployed $750 million for repurchases of our common shares, in the aggregate, under accelerated share repurchase ("ASR") programs. We funded the ASR programs with available cash. See Note 10 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

As of December 31, 2023, we have $3.5 billion remaining under our existing share repurchase authorization.

## Specialty Networks Acquisition

On January 31, 2024, we announced that we had entered into a definitive agreement to acquire Specialty Networks, a technology-enabled multi-specialty group purchasing and practice enhancement organization for a purchase price of $1.2 billion in cash, subject to certain adjustments. We plan to fund the acquisition with available cash.

# Other Items

The MD&A in our 2023 Form 10-K addresses our contractual obligations and cash requirements, as of and for the fiscal year ended June 30, 2023. Other than in connection with our proposed acquisition of Specialty Networks, there have been no subsequent material changes outside of the ordinary course of business to those items. See Note 14 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

# Critical Accounting Policies and Sensitive Accounting Estimates

The discussion and analysis presented below is a supplemental disclosure to the critical accounting policies and sensitive accounting estimates specified in our consolidated balance sheet at June 30, 2023. This discussion and analysis should be read in conjunction with the Critical Accounting Policies and Sensitive Accounting Estimates included in our 2023 Form 10-K and our Form 10-Q for the quarters ended September 30, 2023.

Critical accounting policies are those accounting policies that (i) can have a significant impact on our financial condition and results of operations and (ii) require the use of complex and subjective estimates based upon past experience and management's judgment. Other people applying reasonable judgment to the same facts and circumstances could develop different estimates. Because estimates are inherently uncertain, actual results may differ, including due to the risks discussed in "Risk Factors" and other risks discussed in our 2023 Form 10-K and our other filings with the SEC since June 30, 2023.

## Goodwill

Purchased goodwill is tested for impairment annually or when indicators of impairment exist. Goodwill impairment testing involves a comparison of the estimated fair value of reporting units to the respective carrying amount, which may be performed utilizing either a qualitative or quantitative assessment. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is determined that it is more likely than not that the fair value does not exceed the carrying amount, then a quantitative test is performed. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount. A reporting unit is defined as an operating segment or one level below an operating segment (also known as a component).

Our reporting units are: Pharmaceutical operating segment (excluding our Nuclear and Precision Health Solutions division); Nuclear and Precision Health Solutions division; Medical operating segment (excluding our Cardinal Health at-Home Solutions division) ("Medical Unit"); and Cardinal Health at-Home Solutions division.

Goodwill impairment testing involves judgment, including the identification of reporting units, qualitative evaluation of events and circumstances to determine if it is more likely than not that an impairment exists, and, if necessary, the estimation of the fair value of the applicable reporting unit. Our qualitative evaluation considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

### Changes to Reportable Segments for Fiscal 2024

As discussed in the Overview section of this MD&A, effective January 1, 2024, we implemented a new enterprise operating and segment reporting structure. The updated structure comprises two reportable segments: Pharmaceutical and Specialty Solutions segment and Global Medical Products and Distribution segment. All remaining operating segments that are not significant enough to require separate reportable segment disclosures are included in Other.

This change in segment structure will result in changes to the composition of our reporting units. Accordingly, we will be required to reallocate the goodwill in reporting units affected by the change using a relative fair value approach and assess goodwill for impairment both before, and after the reallocation. While we have not identified any indicators of impairment during the three months ended December 31, 2023 within the current reporting units, we may recognize a goodwill impairment charge following the reallocation if the carrying value of a new reporting unit exceeds its estimated fair value.

### Medical Unit Goodwill

Potential changes in the reporting units within our Medical operating segment may result in a goodwill impairment charge. As of December 31, 2023, the total goodwill balance within the Medical Unit was $139 million. As discussed above, we have not identified any indicators of impairment during the three months ended December 31, 2023 within our reporting units, including the Medical Unit.

During the three months ended September 30, 2023, we elected to bypass the qualitative assessment and perform quantitative goodwill impairment testing for the Medical Unit due to an increase

in the risk-free interest rate used in the discount rate. Our determination of the estimated fair value of the Medical Unit is based on a combination of the income-based approach (using a discount rate of 11 percent and a terminal growth rate of 2 percent), and market-based approaches. Additionally, we assigned a weighting of 80 percent to the discounted cash flow method, 10 percent to the guideline public company method, and 10 percent to the guideline transaction method. The carrying amount exceeded the fair value, which resulted in a pre-tax impairment charge of $581 million for the Medical Unit, which was recognized during the six months ended December 31, 2023 and is included in impairments and (gain)/loss on disposal of assets, net in our condensed consolidated statements of earnings/(loss). This impairment charge was driven by an increase of 1 percent in the discount rate primarily due to an increase in the risk-free interest rate. The discount rate used for the interim goodwill impairment testing at June 30, 2023 was 10 percent. See Note 4 of the "Notes to Condensed Consolidated Financial Statements" for further discussion.

While we consider the assumptions used in our determination of the estimated fair value of the Medical Unit to be reasonable and appropriate, they are complex and subjective, and additional adverse changes in one key assumption or a combination of key assumptions during fiscal 2024 may significantly affect future estimates. These assumptions include, among other things, a failure to meet expected earnings or other financial plans, including the execution of key initiatives related to optimizing and growing sales of Cardinal Health branded medical products, increasing growth in certain strategic divisions within our Medical segment, and driving simplification efforts and cost optimization projects, or unanticipated events and circumstances, such as changes in assumptions about the duration and magnitude of increased supply chain and commodities costs and our planned efforts to mitigate such impact, including price increases or surcharges; further disruptions in the supply chain; manufacturing cost inefficiencies resulting from lower than anticipated sales volume, an increase in the discount rate; a decrease in the terminal growth rate; increases in tax rates; or a significant change in industry or economic trends.

Adverse changes in key assumptions may result in a decline in fair value below the carrying value in the future and therefore, an impairment of our Medical Unit goodwill in future periods, which could adversely affect our results of operations. For example, if we were to increase the discount rate by a hypothetical 0.5 percent, the fair value for the Medical Unit would have further decreased by approximately $450 million. Additionally, a hypothetical 25 basis point decrease in long-term gross margin rates, which could be impacted by changes in Cardinal Health branded medical product sales growth rate assumptions, would have further decreased the fair value for the Medical Unit by approximately $300 million.

During the three months ended December 31, 2022 and September 30, 2022, we performed quantitative goodwill impairment testing for the Medical Unit. This quantitative testing resulted in the carrying amount of the Medical Unit exceeding the fair value, resulting in pre-tax goodwill impairment charges of $709 million and $154 million recorded during the three months ended December 31, 2022 and September 30, 2022, respectively.

# Explanation and Reconciliation of Non-GAAP Financial Measures

The "Overview of Consolidated Results" section within MD&A in this Form 10-Q contains financial measures that are not calculated in accordance with GAAP.

In addition to analyzing our business based on financial information prepared in accordance with GAAP, we use these non-GAAP financial measures internally to evaluate our performance, engage in financial and operational planning, and determine incentive compensation because we believe that these measures provide additional perspective on and, in some circumstances are more closely correlated to, the performance of our underlying, ongoing business. We provide these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on our financial and operating results on a year-over-year basis and in comparing our performance to that of our competitors. However, the non-GAAP financial measures that we use may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The non-GAAP financial measures disclosed by us should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements set forth below should be carefully evaluated.

## Exclusions from Non-GAAP Financial Measures

Management believes it is useful to exclude the following items from the non-GAAP measures presented in this report for its own and for investors' assessment of the business for the reasons identified below:

- 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.
- 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.
- 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.
- 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.
- 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.

- 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.
- 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.
- 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.
- 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.

## 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.

**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) shareholder cooperation agreement costs, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net and (8) 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) shareholder cooperation agreement costs, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net and (8) litigation (recoveries)/charges, net and (9) loss on early extinguishment of debt.

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

**Non-GAAP effective tax rate:** provision for/(benefit from) income taxes adjusted for the tax impacts of (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) shareholder cooperation agreement costs, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net and (8) litigation (recoveries)/charges, net and (9) loss on early extinguishment of debt divided by (earnings/(loss) before income taxes adjusted for the nine 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.

# GAAP to Non-GAAP Reconciliation

| (in millions, except per common share amounts) | Operating Earnings/(Loss) | Operating Earnings Growth Rate | Earnings/(Loss) Before Income Taxes | Provision for/(Benefit From) Income Taxes | Net Earnings/(Loss)[1] | Net Earnings[1] Growth Rate | Diluted EPS[1,2] | Diluted EPS[1] Growth Rate |
|---|---|---|---|---|---|---|---|---|
| | | | | Three Months Ended December 31, 2023 | | | | |
| **GAAP** | **$ 482** | **N.M.** | **$ 490** | **$ 136** | **$ 353** | **N.M.** | **$ 1.43** | **N.M.** |
| Surgical gown recall income | **(1)** | | **(1)** | **—** | **(1)** | | **—** | |
| Restructuring and employee severance | **28** | | **28** | **7** | **21** | | **0.09** | |
| Amortization and other acquisition-related costs | **63** | | **63** | **17** | **46** | | **0.19** | |
| Impairments and (gain)/loss on disposal of assets, net | **1** | | **1** | **(33)** | **34** | | **0.14** | |
| Litigation (recoveries)/charges, net | **(11)** | | **(11)** | **(5)** | **(6)** | | **(0.03)** | |
| **Non-GAAP** | **$ 562** | **20 %** | **$ 569** | **$ 121** | **$ 447** | **29 %** | **$ 1.82** | **38 %** |
| | | | | Three Months Ended December 31, 2022 | | | | |
| GAAP | $ (119) | (87)% | $ (137) | $ (7) | $ (130) | N.M. | $ (0.50) | N.M. |
| State opioid assessment related to prior fiscal years | (6) | | (6) | (2) | (4) | | (0.02) | |
| Shareholder cooperation agreement costs | 2 | | 2 | 1 | 1 | | 0.01 | |
| Restructuring and employee severance | 17 | | 17 | 4 | 13 | | 0.05 | |
| Amortization and other acquisition-related costs | 71 | | 71 | 18 | 53 | | 0.20 | |
| Impairments and (gain)/loss on disposal of assets, net[3] | 710 | | 710 | 173 | 537 | | 2.06 | |
| Litigation (recoveries)/charges, net | (207) | | (207) | (83) | (124) | | (0.48) | |
| Non-GAAP | $ 467 | — % | $ 450 | $ 104 | $ 346 | (3)% | $ 1.32 | 4 % |
| | | | | Six Months Ended December 31, 2023 | | | | |
| **GAAP** | **$ 468** | **N.M.** | **$ 464** | **$ 104** | **$ 358** | **N.M.** | **$ 1.44** | **N.M.** |
| Surgical gown recall income | **(1)** | | **(1)** | **—** | **(1)** | | **—** | |
| Restructuring and employee severance | **53** | | **53** | **14** | **39** | | **0.16** | |
| Amortization and other acquisition-related costs | **127** | | **127** | **33** | **94** | | **0.38** | |
| Impairments and (gain)/loss on disposal of assets, net[3] | **538** | | **538** | **112** | **426** | | **1.71** | |
| Litigation (recoveries)/charges, net | **(52)** | | **(52)** | **(16)** | **(36)** | | **(0.14)** | |
| **Non-GAAP** | **$ 1,133** | **27 %** | **$ 1,129** | **$ 247** | **$ 880** | **30 %** | **$ 3.55** | **41 %** |
| | | | | Six Months Ended December 31, 2022 | | | | |
| GAAP | $ 18 | N.M. | $ (27) | $ (8) | $ (20) | N.M. | $ (0.08) | N.M. |
| State opioid assessment related to prior fiscal years | (6) | | (6) | (2) | (4) | | (0.02) | |
| Shareholder cooperation agreement costs | 8 | | 8 | 2 | 6 | | 0.02 | |
| Restructuring and employee severance | 46 | | 46 | 10 | 36 | | 0.13 | |
| Amortization and other acquisition-related costs | 142 | | 142 | 37 | 105 | | 0.40 | |
| Impairments and (gain)/loss on disposal of assets, net[3] | 863 | | 863 | 207 | 656 | | 2.46 | |
| Litigation (recoveries)/charges, net | (180) | | (180) | (76) | (104) | | (0.39) | |
| Non-GAAP | $ 891 | (10)% | $ 846 | $ 170 | $ 675 | (7)% | $ 2.52 | (2)% |

[1] Attributable to Cardinal Health, Inc.

[2] For the three and six months ended December 31, 2022, GAAP diluted EPS and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 261 million and 266 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 six months ended December 31, 2022, non-GAAP diluted EPS is calculated using a weighted average of 263 million and 268 million common shares, which includes potentially dilutive shares.

[3] For the six months ended December 31, 2023, impairments and (gain)/loss on disposal of assets, net includes a pre-tax goodwill impairment charge of $581 million related to the Medical segment. For fiscal 2024, the net tax benefit related to the impairment charge is $45 million and is included in the annual effective tax rate. As a result, the tax benefit for the six months ended December 31, 2023 increased approximately by an incremental $65 million and will increase the provision for income taxes for the remainder of fiscal 2024.

For the three and six months December 31, 2022, impairments and (gain)/loss on disposal of assets, net included cumulative pre-tax goodwill impairment charges of $709 million and $863 million, respectively, related to the Medical segment. For fiscal 2023, the net tax benefit related to these impairment charges was $68 million and was included in the annual effective tax rate. As a result, the amount of tax benefit increased approximately by an incremental $118 million and $140 million for the three and six months ended December 31, 2022, respectively, and increased the provision for income taxes for the remainder of fiscal 2023.

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

We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

# Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the quantitative and qualitative market risk disclosures included in our 2023 Form 10-K since the end of fiscal 2023 through December 31, 2023.

# Controls and Procedures

## Evaluation of Disclosure Controls and Procedures

We evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 31, 2023. Based on this evaluation, our principal executive officer and principal financial officer have concluded that as of December 31, 2023, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

## Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# Legal Proceedings

The legal proceedings described in Note 6 of the "Notes to Condensed Consolidated Financial Statements" are incorporated in this "Legal Proceedings" section by reference.

# Risk Factors

You should carefully consider the information in this Form 10-Q, and the risk factors discussed in "Risk Factors" and other risks discussed in our 2023 Form 10-K, our Form 10-Q for the quarter ended September 30, 2023, and our other filings with the SEC since June 30, 2023. These risks could materially and adversely affect our results of operations, financial condition, liquidity, and cash flows. Our business also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

### Our pending acquisition of Specialty Networks subjects us to various risks and uncertainties.

As discussed in the MD&A section, on January 31, 2024, we announced that we had entered into a definitive agreement to acquire Specialty Networks for a purchase price of $1.2 billion in cash, subject to certain adjustments. The acquisition will further expand the Pharmaceutical segment's portfolio of Specialty services. We plan to fund the acquisition with available cash.

Consummation of the pending acquisition is subject to various risks and uncertainties, including the following: the ability to successfully complete the acquisition on a timely basis, including receipt of required regulatory approvals and satisfaction of other closing conditions; and the conditions of the credit markets.

If we are successful in completing the acquisition, we will be subject to other risks, including the following: we may fail to realize the synergies and other benefits we expect from the acquisition; the use of a significant portion of our cash may have an adverse effect on our liquidity, limit our flexibility in responding to other business opportunities, and increase our vulnerability to adverse economic and industry conditions; we may fail to retain key personnel of the acquired businesses; future developments may impair the value of our purchased goodwill or intangible assets; we may face difficulties establishing, integrating or combining operations and systems; we may face challenges retaining the customers of the acquired businesses; we may encounter unforeseen internal control, regulatory or compliance issues; and we may face other additional risks relating to regulatory matters, legal proceedings, and tax laws or positions.

# Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

### Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share (2,3) | Total Number of Shares Purchased as Part of Publicly Announced Programs (2,3,4) | Approximate Dollar Value of Shares That May Yet be Purchased Under the Program (4) (in millions) |
|---|---|---|---|---|
| October 2023 | 1,251,107 | $ 79.94 | 1,250,909 | $ 3,843 |
| November 2023 | 1,967,452 | 101.66 | 1,967,342 | 3,543 |
| December 2023 | 444,271 | 112.57 | 444,161 | 3,493 |
| **Total** | **3,662,830** | **$ 95.57** | **3,662,412** | **$ 3,493** |

(1) Reflects 198, 110 and 110 common shares purchased in October, November and December 2023, respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan.

(2) On November 6, 2023, we entered into an ASR program to purchase common shares for an aggregate purchase price of $250 million and received an initial delivery of 2.0 million common shares using a reference price of $101.66. The ASR program concluded on December 13, 2023 at a volume weighted average price per common share of $103.67 resulting in a final delivery of 0.4 million common shares. See Note 10 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

(3) On August 16, 2023, we entered into an ASR program to purchase common shares for an aggregate purchase price of $500 million and received an initial delivery of 4.4 million common shares using a reference price of $90.57. The ASR program concluded on October 31, 2023 at a volume weighted average price per common share of $88.22 resulting in a final delivery of 1.3 million common shares. See Note 10 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

(4) On June 7, 2023, our Board of Directors approved a new $3.5 billion share repurchase program, which will expire on December 31, 2027. As of December 31, 2023, we had $3.5 billion authorized for share repurchases remaining under this program.

# Other Information

## Rule 10b5-1 Plan Adoptions and Modifications

During the three months ended December 31, 2023, no director or officer adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule10b5-1 trading arrangement" as each term is defined in Section 408(a) of Regulation S-K under the Exchange Act.

# Condensed Consolidated Statements of Earnings/(Loss)

**(Unaudited)**

| (in millions, except per common share amounts) | Three Months Ended December 31, 2023 | Three Months Ended December 31, 2022 | Six Months Ended December 31, 2023 | Six Months Ended December 31, 2022 |
|---|---|---|---|---|
| Revenue | **$ 57,445** | $ 51,469 | **$ 112,208** | $ 101,072 |
| Cost of products sold | **55,599** | 49,806 | **108,594** | 97,795 |
| Gross margin | **1,846** | 1,663 | **3,614** | 3,277 |
| **Operating expenses:** | | | | |
| Distribution, selling, general and administrative expenses | **1,283** | 1,191 | **2,480** | 2,388 |
| Restructuring and employee severance | **28** | 17 | **53** | 46 |
| Amortization and other acquisition-related costs | **63** | 71 | **127** | 142 |
| Impairments and (gain)/loss on disposal of assets, net | **1** | 710 | **538** | 863 |
| Litigation (recoveries)/charges, net | **(11)** | (207) | **(52)** | (180) |
| Operating earnings/(loss) | **482** | (119) | **468** | 18 |
| Other (income)/expense, net | **(16)** | (7) | **(18)** | (5) |
| Interest expense, net | **8** | 25 | **22** | 50 |
| Earnings/(loss) before income taxes | **490** | (137) | **464** | (27) |
| Provision for/(benefit from) income taxes | **136** | (7) | **104** | (8) |
| Net earnings/(loss) | **354** | (130) | **360** | (19) |
| Less: Net earnings attributable to noncontrolling interests | **(1)** | — | **(2)** | (1) |
| **Net earnings/(loss) attributable to Cardinal Health, Inc.** | **$ 353** | $ (130) | **$ 358** | $ (20) |
| **Earnings/(Loss) per common share attributable to Cardinal Health, Inc.:** | | | | |
| Basic | **$ 1.44** | $ (0.50) | **$ 1.45** | $ (0.08) |
| Diluted | **1.43** | (0.50) | **1.44** | (0.08) |
| **Weighted-average number of common shares outstanding:** | | | | |
| Basic | **245** | 261 | **247** | 266 |
| Diluted | **246** | 261 | **248** | 266 |
| Cash dividends declared per common share | **$ 0.5006** | $ 0.4957 | **$ 1.0012** | $ 0.9914 |

See notes to condensed consolidated financial statements.

# Condensed Consolidated Statements of Comprehensive Income/(Loss)

**(Unaudited)**

| (in millions) | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Net earnings/(loss) | **$ 354** | $ (130) | **$ 360** | $ (19) |
| **Other comprehensive income/(loss):** | | | | |
| Foreign currency translation adjustments and other | **6** | 20 | **(5)** | (38) |
| Net unrealized gain on derivative instruments, net of tax | **4** | 10 | **1** | 6 |
| Total other comprehensive income/(loss), net of tax | **10** | 30 | **(4)** | (32) |
| Total comprehensive income/(loss) | **364** | (100) | **356** | (51) |
| Less: comprehensive income attributable to noncontrolling interests | **(1)** | — | **(2)** | (1) |
| **Total comprehensive income/(loss) attributable to Cardinal Health, Inc.** | **$ 363** | $ (100) | **$ 354** | $ (52) |

See notes to condensed consolidated financial statements.

# Condensed Consolidated Balance Sheets

| (in millions) | December 31, 2023 (Unaudited) | June 30, 2023 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and equivalents | $ **4,591** | $ 4,043 |
| Trade receivables, net | **11,788** | 11,344 |
| Inventories, net | **18,451** | 15,940 |
| Prepaid expenses and other | **2,816** | 2,362 |
| Assets held for sale | **12** | 144 |
| Total current assets | **37,658** | 33,833 |
| | | |
| Property and equipment, net | **2,446** | 2,462 |
| Goodwill and other intangibles, net | **5,371** | 6,081 |
| Other assets | **1,098** | 1,041 |
| **Total assets** | $ **46,573** | $ 43,417 |
| | | |
| **Liabilities and Shareholders' Deficit** | | |
| **Current liabilities:** | | |
| Accounts payable | $ **34,259** | $ 29,813 |
| Current portion of long-term obligations and other short-term borrowings | **1,188** | 792 |
| Other accrued liabilities | **2,839** | 3,059 |
| Liabilities related to assets held for sale | **—** | 42 |
| Total current liabilities | **38,286** | 33,706 |
| | | |
| Long-term obligations, less current portion | **3,535** | 3,909 |
| Deferred income taxes and other liabilities | **8,199** | 8,653 |
| | | |
| **Shareholders' deficit:** | | |
| Preferred shares, without par value: | | |
| Authorized—**500 thousand** shares, Issued—**none** | **—** | — |
| Common shares, without par value: | | |
| Authorized—**755 million** shares, Issued—**327 million** shares at **December 31, 2023** and June 30, 2023 | **2,855** | 2,747 |
| Accumulated deficit | **(425)** | (534) |
| Common shares in treasury, at cost: **83 million** shares and 76 million shares at **December 31, 2023** and June 30, 2023, respectively | **(5,724)** | (4,914) |
| Accumulated other comprehensive loss | **(155)** | (151) |
| **Total Cardinal Health, Inc. shareholders' deficit** | **(3,449)** | (2,852) |
| Noncontrolling interests | **2** | 1 |
| **Total shareholders' deficit** | **(3,447)** | (2,851) |
| **Total liabilities and shareholders' deficit** | $ **46,573** | $ 43,417 |

See notes to condensed consolidated financial statements.

# Condensed Consolidated Statements of Shareholders' Deficit

**(Unaudited)**

| (in millions) | Common Shares Issued | Common Shares Amount | Accumulated Deficit | Treasury Shares | Treasury Shares Amount | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total Shareholders' Deficit |
|---|---|---|---|---|---|---|---|---|
| | **Three Months Ended December 31, 2023** | | | | | | | |
| Balance at September 30, 2023 | 327 | $ 2,728 | $ (654) | (80) | $ (5,400) | $ (165) | $ 1 | **$ (3,490)** |
| Net earnings | | | 353 | | | | 1 | **354** |
| Other comprehensive income, net of tax | | | | | | 10 | | **10** |
| Employee stock plans activity, net of shares withheld for employee taxes | — | 27 | | — | 30 | | | **57** |
| Share repurchase program activity | | 100 | | (4) | (354) | | | **(254)** |
| Dividends declared | | | (123) | | | | | **(123)** |
| Other | | | (1) | 1 | | | — | **(1)** |
| **Balance at December 31, 2023** | **327** | **$ 2,855** | **$ (425)** | **(83)** | **$ (5,724)** | **$ (155)** | **$ 2** | **$ (3,447)** |
| | Three Months Ended December 31, 2022 | | | | | | | |
| Balance at September 30, 2022 | 327 | $ 2,576 | $ (301) | (65) | $ (3,880) | $ (176) | $ 1 | $ (1,780) |
| Net loss | | | (130) | | | | — | (130) |
| Other comprehensive income, net of tax | | | | | | 30 | | 30 |
| Employee stock plans activity, net of shares withheld for employee taxes | — | 21 | | 1 | 26 | | | 47 |
| Share repurchase program activity | | 150 | | (4) | (400) | | | (250) |
| Dividends declared | | | (129) | | | | | (129) |
| Balance at December 31, 2022 | 327 | $ 2,747 | $ (560) | (68) | $ (4,254) | $ (146) | $ 1 | $ (2,212) |
| | **Six Months Ended December 31, 2023** | | | | | | | |
| Balance at June 30, 2023 | 327 | $ 2,747 | $ (534) | (76) | $ (4,914) | $ (151) | $ 1 | **$ (2,851)** |
| Net earnings | | | 358 | | | | 2 | **360** |
| Other comprehensive loss, net of tax | | | | | | (4) | | **(4)** |
| Employee stock plans activity, net of shares withheld for employee taxes | | 8 | | 1 | 49 | | | **57** |
| Share repurchase program activity | | 100 | | (9) | (859) | | | **(759)** |
| Dividends declared | | | (249) | | | | | **(249)** |
| Other | | | — | 1 | | | (1) | **(1)** |
| **Balance at December 31, 2023** | **327** | **$ 2,855** | **$ (425)** | **(83)** | **$ (5,724)** | **$ (155)** | **$ 2** | **$ (3,447)** |
| | Six Months Ended December 31, 2022 | | | | | | | |
| Balance at June 30, 2022 | 327 | $ 2,813 | $ (280) | (54) | $ (3,128) | $ (114) | $ 3 | $ (706) |
| Net earnings/(loss) | | | (20) | | | | 1 | (19) |
| Other comprehensive loss, net of tax | | | | | | (32) | | (32) |
| Purchase of noncontrolling interests | | | | | | | (2) | (2) |
| Employee stock plans activity, net of shares withheld for employee taxes | — | (16) | | 2 | 74 | | | 58 |
| Share repurchase program activity | | (50) | | (16) | (1,200) | | | (1,250) |
| Dividends declared | | | (260) | | | | | (260) |
| Other | | | | | | | (1) | (1) |
| Balance at December 31, 2022 | 327 | $ 2,747 | $ (560) | (68) | $ (4,254) | $ (146) | $ 1 | $ (2,212) |

See notes to condensed consolidated financial statements.

# Condensed Consolidated Statements of Cash Flows

**(Unaudited)**

| (in millions) | Six Months Ended December 31, 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net earnings/(loss) | **$ 360** | $ (19) |
| | | |
| Adjustments to reconcile net earnings/(loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | **347** | 341 |
| Impairments and (gain)/loss on disposal of assets, net | **538** | 863 |
| Share-based compensation | **57** | 48 |
| Provision for bad debts | **43** | 59 |
| Change in operating assets and liabilities, net of effects from acquisitions and divestitures: | | |
| Increase in trade receivables | **(487)** | (919) |
| Increase in inventories | **(2,536)** | (1,643) |
| Increase in accounts payable | **4,446** | 2,954 |
| Other accrued liabilities and operating items, net | **(1,034)** | (1,064) |
| Net cash provided by operating activities | **1,734** | 620 |
| | | |
| **Cash flows from investing activities:** | | |
| Proceeds from divestitures, net of cash sold | **9** | — |
| Additions to property and equipment | **(206)** | (155) |
| Proceeds from disposal of property and equipment | **2** | 2 |
| Purchases of investments | **(2)** | (5) |
| Proceeds from investments | **1** | 1 |
| Proceeds from net investment hedge terminations | **28** | — |
| Net cash used in investing activities | **(168)** | (157) |
| | | |
| **Cash flows from financing activities:** | | |
| Reduction of long-term obligations | **(15)** | (13) |
| Net tax proceeds from share-based compensation | **1** | 9 |
| Dividends on common shares | **(255)** | (271) |
| Purchase of treasury shares | **(750)** | (1,250) |
| Net cash used in financing activities | **(1,019)** | (1,525) |
| | | |
| Effect of exchange rate changes on cash and equivalents | **1** | (1) |
| | | |
| Net increase/(decrease) in cash and equivalents | **548** | (1,063) |
| Cash and equivalents at beginning of period | **4,043** | 4,717 |
| **Cash and equivalents at end of period** | **$ 4,591** | $ 3,654 |

See notes to condensed consolidated financial statements.

# Notes to Condensed Consolidated Financial Statements

## 1. Basis of Presentation and Summary of Significant Accounting Policies

### Basis of Presentation

Our condensed consolidated financial statements include the accounts of all majority-owned or consolidated subsidiaries, and all significant intercompany transactions and amounts have been eliminated. The results of businesses acquired or disposed of are included in the condensed consolidated financial statements from the date of the acquisition or up to the date of disposal, respectively.

References to "we," "our," and similar pronouns in this Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 (this "Form 10-Q") are to Cardinal Health, Inc. and its majority-owned or consolidated subsidiaries unless the context requires otherwise.

Our fiscal year ends on June 30. References to fiscal 2024 and 2023 in these condensed consolidated financial statements are to the fiscal years ending or ended June 30, 2024 and June 30, 2023, respectively.

Our condensed consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission ("SEC") instructions to Quarterly Reports on Form 10-Q and include the information and disclosures required by accounting principles generally accepted in the United States ("GAAP") for interim financial reporting. The preparation of financial statements in conformity with GAAP requires us to make estimates, judgments and assumptions that affect amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts may differ from these estimated amounts.

In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Except as disclosed elsewhere in this Form 10-Q, all such adjustments are of a normal and recurring nature. In addition, financial results presented for this fiscal 2024 interim period are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2024. These condensed consolidated financial statements are unaudited and, accordingly, should be read in conjunction with the audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 (our "2023 Form 10-K").

### Recently Issued Financial Accounting Standards Not Yet Adopted

We assess the adoption impacts of recently issued accounting standards by the Financial Accounting Standards Board ("FASB") on our condensed consolidated financial statements as well as material updates to previous assessments, if any, from our fiscal 2023 Form 10-K.

*Segment Reporting*

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07 - Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which enhances reportable segment disclosure requirements, primarily through disclosures of significant segment expenses. This guidance will be effective for us in our fiscal 2025 Form 10-K and the guidance must be applied retrospectively to all prior periods presented. We are currently evaluating the impact of adoption of this guidance on our disclosures.

*Income Tax Disclosure*

In December 2023, the FASB issued ASU 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This guidance also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for us in our fiscal 2026 Form 10-K and should be applied on a prospective basis, with retrospective application permitted. We are currently evaluating the impact of adoption of this guidance on our disclosures.

### Recently Adopted Financial Accounting Standards

There were no new material accounting standards adopted in the six months ended December 31, 2023.

## 2. Divestitures

On June 5, 2023, we signed a definitive agreement to contribute the Outcomes™ business to Transaction Data Systems ("TDS"), a portfolio company of BlackRock Long Term Private Capital and GTCR, in exchange for a 16 percent equity interest in the combined entity. The transaction closed on July 10, 2023 and we recognized a pre-tax gain of $53 million during the six months ended December 31, 2023, which was included in impairments and (gain)/loss on disposal of assets, net in our condensed consolidated statements of earnings/(loss). This gain includes our initial recognition of an equity method investment in the combined entity for $147 million.

We determined that the divestiture of the Outcomes™ business does not meet the criteria to be classified as discontinued operations. The Outcomes™ business operated within our Pharmaceutical segment.

## 3. Restructuring and Employee Severance

The following tables summarize restructuring and employee severance costs:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| Employee-related | **$ 8** | $ 10 |
| Facility exit and other | **20** | 7 |
| **Total restructuring and employee severance** | **$ 28** | $ 17 |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| Employee-related | **$ 15** | $ 29 |
| Facility exit and other | **38** | 17 |
| **Total restructuring and employee severance** | **$ 53** | $ 46 |

Employee-related costs primarily consist of termination benefits provided to employees who have been involuntarily terminated, duplicate payroll costs and retention bonuses incurred during transition periods. Facility exit and other costs primarily consist of project consulting fees, accelerated depreciation, professional, project management and other service fees to support divestitures, costs associated with vacant facilities, and certain other divestiture-related costs.

Restructuring and employee severance costs during the three and six months ended December 31, 2023 were primarily related to certain projects resulting from review of our strategy portfolio, capital-allocation framework and operation and the implementation of certain enterprise-wide cost-savings measures. During the three and six months ended December 31, 2022, restructuring and employee severance costs were primarily related to implementation of certain enterprise-wide cost-saving measures.

The following table summarizes activity related to liabilities associated with restructuring and employee severance:

| (in millions) | Employee-Related Costs | Facility Exit and Other Costs | **Total** |
|---|---|---|---|
| Balance at June 30, 2023 | $ 44 | $ 2 | **$ 46** |
| Additions | 8 | 4 | **12** |
| Payments and other adjustments | (18) | (1) | **(19)** |
| **Balance at December 31, 2023** | **$ 34** | **$ 5** | **$ 39** |

## 4. Goodwill and Other Intangible Assets

### Goodwill

The following table summarizes the changes in the carrying amount of goodwill by segment and in total:

| (in millions) | Pharmaceutical | Medical (1) | Total |
|---|---|---|---|
| Balance at June 30, 2023 | $ 2,649 | $ 1,960 | **$ 4,609** |
| Goodwill acquired, net of purchase price adjustments | — | (3) | **(3)** |
| Foreign currency translation adjustments and other | — | (1) | **(1)** |
| Goodwill impairment | — | (581) | **(581)** |
| **Balance at December 31, 2023** | **$ 2,649** | **$ 1,375** | **$ 4,024** |

(1) At December 31, 2023 and June 30, 2023, the Medical segment accumulated goodwill impairment loss was $5.3 billion and $4.7 billion, respectively.

We have not identified any indicators of impairment during the three months ended December 31, 2023 within our reporting units, including the Medical Unit.

During the three months ended September 30, 2023, we elected to bypass the qualitative assessment and perform quantitative goodwill impairment testing for the Medical Unit due to an increase in the risk-free interest rate used in the discount rate. Our determination of the estimated fair value of the Medical Unit is based on a combination of the income-based approach (using a discount rate of 11 percent and a terminal growth rate of 2 percent), and market-based approaches. Additionally, we assigned a weighting of 80 percent to the discounted cash flow method, 10 percent to the guideline public company method, and 10 percent to the guideline transaction method. The carrying amount exceeded the fair value, which resulted in a pre-tax impairment charge of $581 million for the Medical Unit, which was recognized during the six months ended December 31, 2023 and is included in impairments and (gain)/loss on disposal of assets, net in our condensed consolidated statements of earnings/(loss). This impairment charge was driven by an increase of 1 percent in the discount rate primarily due to an increase in the risk-free interest rate. The discount rate used for the interim goodwill impairment testing at June 30, 2023 was 10 percent.

During the three months ended December 31, 2022 and September 30, 2022, we performed quantitative goodwill impairment testing for the Medical Unit. This quantitative testing resulted in the carrying amount of the Medical Unit exceeding the fair value, resulting in pre-tax goodwill impairment charges of $709 million and $154 million recorded during the three months ended December 31, 2022 and September 30, 2022, respectively.

### Other Intangible Assets

The following tables summarize other intangible assets by class at:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| (in millions) | Gross Intangible | Accumulated Amortization | Net Intangible | Weighted-Average Remaining Amortization Period (Years) |
| **Indefinite-life intangibles:** | | | | |
| Trademarks and patents | **$ 12** | **$ —** | **$ 12** | **N/A** |
| Total indefinite-life intangibles | **12** | **—** | **12** | **N/A** |
| **Definite-life intangibles:** | | | | |
| Customer relationships | **3,175** | **2,357** | **818** | **9** |
| Trademarks, trade names and patents | **546** | **394** | **152** | **7** |
| Developed technology and other | **1,022** | **657** | **365** | **8** |
| Total definite-life intangibles | **4,743** | **3,408** | **1,335** | **8** |
| **Total other intangible assets** | **$ 4,755** | **$ 3,408** | **$ 1,347** | **N/A** |

| | June 30, 2023 | | |
|---|---|---|---|
| (in millions) | Gross Intangible | Accumulated Amortization | Net Intangible |
| **Indefinite-life intangibles:** | | | |
| Trademarks and patents | $ 11 | $ — | $ 11 |
| Total indefinite-life intangibles | 11 | — | 11 |
| **Definite-life intangibles:** | | | |
| Customer relationships | 3,174 | 2,274 | 900 |
| Trademarks, trade names and patents | 546 | 380 | 166 |
| Developed technology and other | 1,021 | 626 | 395 |
| Total definite-life intangibles | 4,741 | 3,280 | 1,461 |
| **Total other intangible assets** | $ 4,752 | $ 3,280 | $ 1,472 |

Total amortization of intangible assets was $63 million and $71 million for the three months ended December 31, 2023 and 2022, respectively, and $127 million and $142 million for the six months ended December 31, 2023 and 2022, respectively. Estimated annual amortization of intangible assets for the remainder of fiscal 2024 through 2028 is as follows: $127 million, $226 million, $206 million, $174 million and $148 million.

## 5. Long-Term Obligations and Other Short-Term Borrowings

### Long-Term Debt

We had total long-term obligations, including the current portion and other short-term borrowings, of $4.7 billion at both December 31, 2023 and June 30, 2023. All the notes represent unsecured obligations of Cardinal Health, Inc. and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. Interest is paid pursuant to the terms of the obligations. These notes are effectively subordinated to the liabilities of our subsidiaries, including trade payables of $34.3 billion and $29.8 billion at December 31, 2023 and June 30, 2023, respectively.

### Other Financing Arrangements

In addition to cash and equivalents and operating cash flow, other sources of liquidity include a $2.0 billion commercial paper program backed by a $2.0 billion revolving credit facility. We also have a $1.0 billion committed receivables sales facility. At December 31, 2023, we had no amounts outstanding under our commercial paper program, revolving credit facility or our committed receivables sales facility.

In February 2023, we extended our $2.0 billion revolving credit facility through February 25, 2028. In September 2022, we renewed our committed receivables sales facility program through Cardinal Health Funding, LLC (“CHF”) through September 30, 2025. In September 2023, Cardinal Health 23 Funding, LLC ("CH-23 Funding") was added as a seller under our committed receivables sales facility. Each of CHF and CH-23 Funding was organized for the sole purpose of buying receivables and selling undivided interests in those receivables to third-party purchasers. Although consolidated with Cardinal Health, Inc. in accordance with GAAP, each of CHF and CH-23 Funding is a separate legal entity from Cardinal Health, Inc. and from our respective subsidiary that sells receivables to CHF or CH-23 Funding, as applicable. Each of CHF and CH-23 Funding is designed to be a special purpose, bankruptcy-remote entity whose assets are available solely to satisfy the claims of its respective creditors.

Our revolving credit and committed receivables sales facilities require us to maintain a consolidated net leverage ratio of no more than 3.75-to-1. As of December 31, 2023, we were in compliance with this financial covenant.

## 6. Commitments, Contingent Liabilities and Litigation

### Commitments

**Generic Sourcing Venture with CVS Health**

In July 2014, we established Red Oak Sourcing, LLC ("Red Oak Sourcing"), a U.S.-based generic pharmaceutical sourcing venture with CVS Health Corporation ("CVS Health") for an initial term of 10 years. Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of its participants. In August 2021, we amended our agreement to extend the term through June 2029. We are required to make quarterly payments to CVS Health for the term of the arrangement.

### Contingencies

**New York Opioid Stewardship Act**

In April 2018, the State of New York passed a budget which included the Opioid Stewardship Act (the "OSA"). The OSA created an aggregate $100 million annual assessment on all manufacturers and distributors licensed to sell or distribute opioids in New York. Under the OSA, each licensed manufacturer and distributor would be required to pay a portion of the assessment based on its share of the total morphine milligram equivalents sold or distributed in New York during the applicable calendar year, beginning in 2017. Subsequently, New York passed a new statute that modified the assessment going forward and limited the OSA to two years (2017 and 2018).

We accrue contingencies if it is probable that a liability has been incurred and the amount can be estimated. During the fiscal year 2023, we recorded $6 million of income to reduce the previously estimated accrual to the invoiced amount for the calendar year 2018 assessment. At June 30, 2023, we had an outstanding liability of $3 million, which was paid in full during first quarter of fiscal year 2024.

**Legal Proceedings**

We become involved from time to time in disputes, litigation and regulatory matters.

From time to time, we determine that products we distribute, source, manufacture or market do not meet our specifications, regulatory requirements, or published standards. When we or a regulatory agency identify a potential quality or regulatory issue, we investigate and take appropriate corrective action. Such actions have led to product recalls, costs to repair or replace affected products, temporary interruptions in product sales, restrictions on importation, product liability claims and lawsuits and can lead to action by regulators. Even absent an identified regulatory or quality issue or product recall, we can become subject to product liability claims and lawsuits.

From time to time, we become aware through employees, internal audits or other parties of possible compliance matters, such as complaints or concerns relating to accounting, internal accounting controls, financial reporting, auditing, or other ethical matters or

relating to compliance with laws such as healthcare fraud and abuse, anti-corruption or anti-bribery laws. When we become aware of such possible compliance matters, we investigate internally and take appropriate corrective action. In addition, from time to time, we receive subpoenas or requests for information from various federal or state agencies relating to our business or to the business of a customer, supplier or other industry participants. Internal investigations, subpoenas or requests for information could directly or indirectly lead to the assertion of claims or the commencement of legal proceedings against us or result in sanctions.

We have been named from time to time in qui tam actions initiated by private third parties. In such actions, the private parties purport to act on behalf of federal or state governments, allege that false claims have been submitted for payment by the government and may receive an award if their claims are successful. After a private party has filed a qui tam action, the government must investigate the private party's claim and determine whether to intervene in and take control over the litigation. These actions may remain under seal while the government makes this determination. If the government declines to intervene, the private party may nonetheless continue to pursue the litigation on his or her own purporting to act on behalf of the government.

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine whether our accruals and related disclosures are adequate. The amount of ultimate loss may differ from these estimates.

We recognize income from the favorable outcome of litigation when we receive the associated cash or assets.

We recognize estimated loss contingencies for certain litigation and regulatory matters and income from favorable resolution of litigation in litigation (recoveries)/charges, net in our condensed consolidated statements of earnings/(loss); however, losses and recoveries of lost profits from disputes that occur in the ordinary course of business are included within segment profit.

**Opioid Lawsuits and Investigations**

Cardinal Health, other Pharmaceutical wholesalers and other participants in the pharmaceutical supply chain have been named as a defendant in lawsuits related to the distribution of opioid pain medications. These lawsuits seek equitable relief and monetary damages based on a variety of legal theories, including various common law claims, such as public nuisance, negligence, unjust enrichment, personal injury, as well as violations of controlled substance laws, the Racketeer Influenced and Corrupt Organization Act and various other statutes. Plaintiffs in these lawsuits include governmental entities as well as private parties, such as unions and other health and welfare funds, hospital system and other healthcare providers, businesses and Individuals.

We have also received federal grand jury subpoenas issued in connection with investigations being conducted by the U.S. Attorney's Office for the Eastern District of New York and the Fraud Section of the U.S. Department of Justice ("DOJ"). We have also received civil request for information, subpoenas and other request from other DOJ offices. These investigations concern operation of our anti-diversion program, our anti-diversion policies and procedures and distribution of certain controlled substances. We are cooperating with these investigations. We are unable to predict the outcomes of any of these investigations.

In total, as of December 31, 2023, we have $5.47 billion accrued for these matters, of which $420 million is included in other accrued liabilities and remainder is included in deferred income taxes and other liabilities in our condensed consolidated balance sheets.

Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgements about future events. We regularly review these opioid litigation matters to determine whether our accrual is adequate. The amount of ultimate loss may differ materially from this accrual, whether as a result of settlement discussions, a judicial decision or verdict or otherwise, but we are not able to estimate a range of reasonably possible additional losses for these matters. We continue to strongly dispute the allegations made in these lawsuits and none of these agreements is an admission of liability or wrong doing. Please see below for additional description of these matters.

States & Political Subdivisions

In February 2022, we along with two other national distributors (collectively, the "Distributors") independently approved a settlement agreement (the "National Opioid Settlement Agreement") to settle the vast majority of opioid lawsuits and claims brought by states and political subdivisions. This National Opioid Settlement Agreement became effective on April 2, 2022. In addition to the Distributors, parties to the National Opioid Settlement Agreement include 48 states, the District of Columbia and 5 U.S. territories. Over 99 percent of political subdivisions in settling states (by population as calculated under the National Opioid Settlement Agreement) that had brought opioid-related suits against us have chosen to join the National Opioid Settlement Agreement or have had their claims addressed by state legislation (together with settling states and territories, the "Settling Governmental Entities").

In November 2023, we reached an agreement in principle with the Alabama Attorney General, under which we would pay approximately $123 million to the State of Alabama over a period of ten years to resolve opioid-related claims brought by the State and its political subdivisions. This agreement is subject to certain contingencies, including subdivision participation. During the three and six months ended December 31, 2023, we recognized a

$22 million charge in litigation (recoveries)/charge, net in the condensed consolidated statements of earnings/(loss) related to this agreement.

Through January 2024, we have paid the Settling Governmental Entities approximately $1.5 billion, which includes the January 2024 prepayment of certain future payment amounts described below. We expect to pay Settling Governmental Entities additional amounts up to $4.9 billion through 2038. The National Opioid Settlement Agreement also includes injunctive relief terms related to Distributors' controlled substance anti-diversion programs. A monitor is overseeing compliance with these provisions until 2027. In addition, the Distributors are engaging a third-party vendor to act as clearinghouse for data aggregation and reporting, which Distributors will fund for 10 years. As a result of the National Opioid Settlement Agreement, the vast majority of lawsuits brought against us by State and other political subdivisions have been dismissed. We continue to engage in resolution discussions with certain nonparticipating political subdivisions and intend to defend ourselves vigorously against all remaining lawsuits.

Other Settlements

West Virginia subdivisions and Native American tribes were not a part of the National Opioid Settlement Agreement, and we had separate settlement negotiations with these groups. In July 2022, a judgment in favor of the Distributors was entered in bench trial before a federal judge in West Virginia in a case brought by Cabell County and City of Huntington. Plaintiffs have appealed this decision to the Fourth Circuit Court of Appeals. In July 2022, the Distributors reached an agreement to settle the opioid-related claims of the majority of the remaining West Virginia subdivisions. Under this agreement, we agreed to pay eligible West Virginia subdivisions up to approximately $124 million over an eleven-year period. This agreement became effective in October 2022 when all participating subdivisions dismissed their cases.

In October 2022, we executed a final settlement agreement with the Native American Tribes, pursuant to which we will pay up to approximately $136 million over five years. In connection with this settlement, the court entered dismissals for the Native American tribes' cases.

Prepayment of Future Payment Years

In January 2024, we made payments of approximately $238 million to prepay at a pre-negotiated discount certain future payment amounts totaling approximately $344 million owed under each of the National Opioid Settlement Agreement, West Virginia Subdivisions Settlement Agreement and settlement agreements with Native American tribes and Cherokee Nation. The majority of the prepayment relates to the seventh annual payment as due under the National Opioid Settlement Agreement. As a result of these prepayments, we expect to recognize income of approximately $100 million in litigation charges/(recoveries), net in our condensed consolidated statements of earnings/(loss) during the three months ended March 31, 2024.

Private Plaintiffs

The National Opioid Settlement Agreement does not address claims by private parties, which includes unions and other health and welfare funds, hospital systems and other healthcare providers, businesses and individuals alleging personal injury. Lawsuits brought by private plaintiffs that were pending as of January 26, 2023 were 395. Of these, 103 are purported class actions. The causes of action asserted by these plaintiffs are similar to those asserted by public plaintiffs. We are engaged in resolution discussions with certain private plaintiffs; however, we are vigorously defending ourselves in all these matters.

A trial in a case involving 21 plaintiffs began in state court in Georgia in January 2023 and concluded in March 2023 with a verdict for the company and other defendants on all claims. In July 2023, the judge denied the plaintiffs' motion for a new trial. Plaintiffs have filed a notice of appeal and defendants have filed a notice of cross-appeal. A trial involving eight hospital plaintiffs is scheduled to begin in Alabama in July 2024.

Insurance Litigation

We are involved in ongoing legal proceedings with insurers related their obligations to reimburse us for defense and indemnity costs in connection with the lawsuits described above. During fiscal year 2023, we received approximately $10 million in insurance recoveries related to these matters.

**Cordis IVC Filter Matters**

We have been named as a defendant in approximately 400 product liability lawsuits coordinated in Alameda County Superior Court in California involving claims by approximately 4,500 plaintiffs that allege personal injuries associated with the use of inferior vena cava ("IVC") filter products. These lawsuits sought a variety of remedies, including unspecified monetary damages. The divestiture of the Cordis business did not include product liability related to the IVC filters in the U.S. and Canada, which we retained.

In April 2023, we executed a settlement agreement that, if certain conditions are satisfied, will resolve 4,375 claims for $275 million. This settlement agreement is subject to certain conditions, including certain opt-in thresholds. Between May and September 2023, we made settlement payments totaling $275 million into a qualified settlement fund, which will be disbursed to the plaintiffs if required conditions are satisfied. Since July 2021, we have also entered into other agreements to settle 2,798 product liability claims. While these settlements will resolve the vast majority of IVC filter product liability claims, they will not resolve all of them, and we intend to continue to vigorously defend ourselves in the remaining lawsuits.

Additionally, in August 2021, the Attorney General for the State of New Mexico filed an action against certain IVC filter manufacturers, including us, alleging claims under New Mexico's Unfair Practices Act, Medicaid Fraud Act and Fraud Against Taxpayers Act. The allegations made are similar to those made in

the product liability lawsuits. We intend to vigorously defend ourselves against these claims.

We recognized income of $103 million during fiscal year 2023, primarily related to a reduction of the reserve for the estimated settlement and defense costs for these matters due to the execution of the settlements noted above. At December 31, 2023, we had a total of $300 million accrued for losses and legal defense costs, related to the IVC filter product liability lawsuits in our condensed consolidated balance sheets.

**Other Civil Litigation**

*Generic Pharmaceutical Pricing Antitrust Litigation*

In December 2019, pharmaceutical distributors including us were added as defendants in a civil class action lawsuit filed by indirect purchasers of generic drugs, such as hospitals and retail pharmacies. The indirect purchaser case is part of a multidistrict litigation consisting of multiple individual class action matters consolidated in the Eastern District of Pennsylvania. The indirect purchaser plaintiffs allege that pharmaceutical distributors encouraged manufacturers to increase prices, provided anti-competitive pricing information to manufacturers and improperly engaged in customer allocation. In May 2020, the court granted our motion to dismiss. In July 2022, the indirect purchasers filed an amended complaint and in August 2022, we filed a motion to dismiss the amended complaint. We are vigorously defending ourselves in this matter.

**Antitrust Litigation Proceeds**

We recognized income for net recoveries in class action antitrust lawsuits in which we were a class member or plaintiff of $31 million and $71 million during the three and six months ended December 31, 2023, respectively, and $66 million during the three and six months ended December 31, 2022.

## 7. Income Taxes

Fluctuations in our provision for income taxes as a percentage of our pre-tax earnings ("effective tax rate") are due to changes in international and U.S. state effective tax rates resulting from our business mix and discrete items.

**Effective Tax Rate**

During the three and six months ended December 31, 2023, the effective tax rate was 27.7 percent and 22.4 percent, respectively, and reflects any impact of the tax effects of the goodwill impairment charges recognized during the three and six months ended December 31, 2023.

During the three and six months ended December 31, 2022, the effective tax rate was 5.4 percent and 30.0 percent, respectively, and reflects the impact of the tax effects of the goodwill impairment charges recognized during the three and six months ended December 31, 2022.

**Tax Effects of Goodwill Impairment Charge**

During the six months ended December 31, 2023, we recognized a $581 million pre-tax charge for goodwill impairment related to the Medical Unit. The net tax benefit related to these charges is $45 million for fiscal 2024.

Unless an item is considered discrete because it is unusual or infrequent, the tax impact of the item is included in our estimated annual effective tax rate. When items are recognized through our estimated annual effective tax rate, we apply our estimated annual effective tax rate to the earnings before income taxes for the year-to-date period to compute our impact from income taxes for the current quarter and year-to-date period. The tax impacts of discrete items are recognized in their entirety in the period in which they occur.

The tax effect of the goodwill impairment charge during the six months ended December 31, 2023 was included in our estimated annual effective tax rate because it was not considered unusual or infrequent, given that we recorded goodwill impairments in prior fiscal years. The impact of the non-deductible goodwill increased the estimated annual effective tax rate for fiscal 2024. Applying the higher tax rate to the pre-tax income for the six months ended December 31, 2023 resulted in recognizing an incremental interim tax benefit of approximately $65 million, which impacted the benefit from income taxes in the condensed consolidated statements of earnings/(loss) during the three months ended December 31, 2023 and prepaid expenses and other assets in the condensed consolidated balance sheet at December 31, 2023. This interim tax benefit will reverse in future quarters of fiscal 2024.

**Unrecognized Tax Benefits**

We had $959 million and $1.0 billion of unrecognized tax benefits at December 31, 2023 and June 30, 2023, respectively. The December 31, 2023 and June 30, 2023 balances include $864 million and $873 million of unrecognized tax benefits, respectively, that if recognized, would have an impact on the effective tax rate.

At December 31, 2023 and June 30, 2023, we had $52 million and $65 million, respectively, accrued for the payment of interest and penalties related to unrecognized tax benefits, which we recognize in the benefit from income taxes in the condensed consolidated statements of earnings/(loss). These balances are gross amounts before any tax benefits and are included in deferred income taxes and other liabilities in the condensed consolidated balance sheets.

It is reasonably possible that there could be a change in the amount of unrecognized tax benefits within the next 12 months due to activities of the U.S. Internal Revenue Service ("IRS") or other taxing authorities, possible settlement of IRS and other audit issues, reassessment of existing unrecognized tax benefits or the expiration of statutes of limitations. We estimate that the range of the possible change in unrecognized tax benefits within the next 12 months is between zero and a net decrease of up to $30 million, exclusive of penalties and interest.

**Other Tax Matters**

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions, and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2015 through the current fiscal year.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), a subsidiary of Becton, Dickinson and Company. Under the tax matters agreement, CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to our fiscal 2010 spin-off of CareFusion. In December 2023, the estimated tax exposure was updated to reflect adjustments based on settlement discussions with the IRS. Additionally, Cardinal received a partial payment from CareFusion to be applied towards the anticipated liability. As a result, the indemnification receivable was reduced. The indemnification receivable was $20 million and $82 million at December 31, 2023 and June 30, 2023, respectively, and is included in other assets in the condensed consolidated balance sheets.

## 8. Fair Value Measurements

### Assets and Liabilities Measured on a Recurring Basis

The following tables present the fair values for assets and (liabilities) measured on a recurring basis at:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Cash equivalents | **$ 1,708** | **$ —** | **$ —** | **$ 1,708** |
| Other investments (1) | **102** | **—** | **—** | **102** |
| **Liabilities:** | | | | |
| Forward contracts (2) | **—** | **(73)** | **—** | **(73)** |

| | June 30, 2023 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Cash equivalents | $ 1,253 | $ — | $ — | $ 1,253 |
| Other investments (1) | 101 | — | — | 101 |
| **Liabilities:** | | | | |
| Forward contracts (2) | — | (73) | — | (73) |

(1) The other investments balance includes investments in mutual funds, which offset fluctuations in deferred compensation liabilities. These mutual funds invest in the equity securities of companies with both large and small market capitalization and high quality fixed income debt securities. The fair value of these investments is determined using quoted market prices.

(2) The fair value of interest rate swaps, foreign currency contracts, and net investment hedges is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. The fair value of these derivative contracts, which are subject to master netting arrangements under certain circumstances, is presented on a gross basis in prepaid expenses and other, other assets, other accrued liabilities, and deferred income taxes and other liabilities within the condensed consolidated balance sheets.

### Assets Measured on a Nonrecurring Basis

As discussed further in Note 2, on July 10, 2023, we closed the transaction to contribute the Outcomes™ business to TDS, a portfolio company of BlackRock Long Term Private Capital and GTCR, in exchange for a 16 percent equity interest in the combined entity. We accounted for this investment initially at its fair value using Level 3 unobservable inputs under the discounted cash flow method. Accordingly, we recognized a $147 million equity method investment during the six months ended December 31, 2023.

## 9. Financial Instruments

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk and commodity price risk. We do not use derivative instruments for trading or speculative purposes. While the majority of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk but are not designated as hedging instruments. These derivative instruments are adjusted to current fair value through earnings at the end of each period. We are exposed to counterparty credit risk on all of our derivative instruments. Accordingly, we have established and maintain strict counterparty credit guidelines and only enter into derivative instruments with major financial institutions that are rated investment grade or better. We do not have significant exposure to any one counterparty and we believe the risk of loss is remote. Additionally, we do not require collateral under these agreements.

### Interest Rate Risk Management

We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on cash flows and the market value of our borrowings. We utilize a mix of debt maturities on our fixed-rate debt to manage changes in interest rates. In addition, we enter into interest rate swaps to further manage our exposure to interest rate variations related to our borrowings and to lower our overall borrowing costs.

### Currency Exchange Risk Management

We conduct business in several major international currencies and are subject to risks associated with changing foreign exchange rates. Our objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus its attention on business operations. Accordingly, we enter into various contracts that change in value as foreign exchange rates change to protect the value of existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenue and expenses.

### Commodity Price Risk Management

We are exposed to changes in the price of certain commodities. Our objective is to reduce earnings and cash flow volatility associated with forecasted purchases of these commodities to allow management to focus its attention on business operations. Accordingly, we enter into derivative contracts when possible to manage the price risk associated with certain forecasted purchases.

### Fair Value Hedges

We enter into pay-floating interest rate swaps to hedge the changes in the fair value of fixed-rate debt resulting from fluctuations in interest rates. These contracts are designated and qualify as fair value hedges. Accordingly, the gain or loss recorded on the pay-floating interest rate swaps is directly offset by the change in fair value of the underlying debt. Both the derivative instrument and the underlying debt are adjusted to market value at the end of each period with any resulting gain or loss recorded in interest expense, net in the condensed consolidated statements of earnings/(loss). For the three and six months ended December 31, 2023 and 2022, there were no gains or losses recorded to interest expense as changes in the market value of our derivative instruments offset changes in the market value of the underlying debt.

During the six months ended December 31, 2023 and 2022, we entered into pay-floating interest rate swaps with total notional amounts of $200 million each. These swaps have been designated as fair value hedges of our fixed rate debt and are included in deferred income taxes and other liabilities in our condensed consolidated balance sheets.

### Cash Flow Hedges

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate, foreign currency and commodity price fluctuations associated with certain forecasted transactions. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive loss and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings.

Pre-tax gains and losses recognized in other comprehensive income/(loss) were immaterial and a $2 million loss for the three months ended December 31, 2023 and 2022, respectively, and a $1 million gain and a $2 million gain for the six months ended December 31, 2023 and 2022, respectively. Gains recognized in accumulated other comprehensive loss and reclassified into earnings were $1 million and immaterial for the three months ended December 31, 2023 and 2022, respectively, and $2 million and immaterial for the six months ended December 31, 2023 and 2022, respectively. Gains currently included within accumulated other comprehensive loss associated with our cash flow hedges to be reclassified into net earnings within the next 12 months are $3 million.

### Net Investment Hedges

We hedge the foreign currency risk associated with certain net investment positions in foreign subsidiaries. To accomplish this, we enter into cross-currency swaps that are designated as hedges of net investments.

During the six months ended December 31, 2023, we entered into ¥18 billion ($120 million) cross-currency swaps maturing in September 2025 and ¥18 billion ($120 million) cross-currency swaps maturing in June 2027.

During the six months ended December 31, 2023, we terminated the ¥38 billion ($300 million) cross-currency swaps entered into in January 2023 and received net settlement in cash of $28 million, recorded in proceeds from net investment hedge terminations in our condensed consolidated statements of cash flows.

Cross-currency swaps designated as net investment hedges are marked to market using the current spot exchange rate as of the end of the period, with gains and losses included in the foreign currency translation component of accumulated other comprehensive loss until the sale or substantial liquidation of the underlying net investments. To the extent the cross-currency swaps designated as net investment hedges are not highly effective, changes in carrying value attributable to the change in spot rates are recorded in earnings.

Pre-tax losses from net investment hedges recorded in the foreign currency translation component of accumulated other comprehensive loss were $16 million and $43 million during the three months ended December 31, 2023 and 2022, respectively, and $5 million and $21 million during the six months ended December 31, 2023 and 2022, respectively. Gains recognized in interest expense, net in the condensed consolidated statements of earnings/(loss) for the portion of the net investment hedges excluded from the assessment of hedge effectiveness were $4 million during both the three months ended December 31, 2023 and 2022, and $7 million and $8 million during the six months ended December 31, 2023 and 2022, respectively.

### Economic (Non-Designated) Hedges

We enter into foreign currency contracts to manage our foreign exchange exposure related to sales transactions, intercompany financing transactions and other balance sheet items subject to revaluation that do not meet the requirements for hedge accounting treatment. Accordingly, these derivative instruments are adjusted to current market value at the end of each period through earnings. The gain or loss recorded on these instruments is substantially offset by the remeasurement adjustment on the foreign currency denominated asset or liability. The settlement of the derivative instrument and the remeasurement adjustment on the foreign currency denominated asset or liability are both recorded in other (income)/expense, net. We recorded an immaterial loss and a $3 million gain during the three months ended December 31, 2023 and 2022, respectively, and an immaterial loss and a $3 million loss during the six months ended December 31, 2023 and 2022, respectively. The principal currencies managed through foreign currency contracts are the Chinese renminbi, Canadian dollar, Indian rupee, Euro and British pound.

### Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, accounts payable and other accrued liabilities at December 31, 2023 and June 30, 2023 approximate fair value due to their short-term maturities.

The following table summarizes the estimated fair value of our long-term obligations and other short-term borrowings compared to the respective carrying amounts at:

| (in millions) | December 31, 2023 | June 30, 2023 |
|---|---|---|
| Estimated fair value | **$ 4,527** | $ 4,417 |
| Carrying amount | **4,723** | 4,701 |

The fair value of our long-term obligations and other short-term borrowings is estimated based on either the quoted market prices for the same or similar issues or other inputs derived from available market information, which represents a Level 2 measurement.

## 10. Shareholders' Deficit

We repurchased $750 million and $1.3 billion of our common shares, in the aggregate, through share repurchase programs during the six months ended December 31, 2023 and 2022, respectively. We funded the repurchases with available cash. The common shares repurchased are held in treasury to be used for general corporate purposes.

During the three months ended December 31, 2023, we entered into an accelerated share repurchase ("ASR") program to repurchase common shares for an aggregate purchase price of $250 million. We received an initial delivery of 2.0 million common shares using a reference price of $101.66. The program concluded on December 13, 2023 at a volume weighted average price per common share of $103.67 resulting in a final delivery of 0.4 million common shares.

During the three months ended September 30, 2023, we entered into an ASR program to repurchase common shares for an aggregate purchase price of $500 million. We received an initial delivery of 4.4 million common shares using a reference price of $90.57. The program concluded on October 31, 2023 at a volume weighted average price per common share of $88.22 resulting in a final delivery of 1.3 million common shares.

During the three months ended June 30, 2023, we entered into an ASR program to repurchase common shares for an aggregate purchase of $500 million. We received an initial delivery of 4.6 million common shares using a reference price of $87.18. The program concluded on August 16, 2023 at a volume weighted average price per common share of $91.15 resulting in a final delivery of 0.9 million common shares.

During the three months ended December 31, 2022, we entered into an ASR program to repurchase common shares for an aggregate purchase price of $250 million. We received an initial delivery of 2.6 million common shares using a reference price of $76.58. The program concluded on January 13, 2023 at a volume weighted average price per common share of $77.50 resulting in a final delivery of 0.6 million common shares.

During the three months ended September 30, 2022, we entered into an ASR program to repurchase common shares for an aggregate purchase price of $1.0 billion. We received an initial

delivery of 12.0 million common shares using a reference price of $66.74. The program concluded on December 23, 2022 at a volume weighted average price per common share of $73.36 resulting in a final delivery of 1.6 million common shares.

### Accumulated Other Comprehensive Loss

The following tables summarize the changes in the balance of accumulated other comprehensive loss by component and in total:

| (in millions) | Foreign Currency Translation Adjustments | Unrealized Gain/(Loss) on Derivatives, net of tax | Accumulated Other Comprehensive Loss |
|---|---|---|---|
| Balance at June 30, 2023 | $ (137) | $ (14) | **$ (151)** |
| Other comprehensive income/(loss), before reclassifications | (5) | 5 | **—** |
| Amounts reclassified to earnings | — | (4) | **(4)** |
| Total other comprehensive income/(loss) attributable to Cardinal Health, Inc., net of tax benefit of $1 million | (5) | 1 | **(4)** |
| **Balance at December 31, 2023** | **$ (142)** | **$ (13)** | **$ (155)** |

| (in millions) | Foreign Currency Translation Adjustments | Unrealized Gain/(Loss) on Derivatives, net of tax | Accumulated Other Comprehensive Loss |
|---|---|---|---|
| Balance at June 30, 2022 | $ (102) | $ (12) | $ (114) |
| Other comprehensive income/(loss), before reclassifications | (38) | 11 | (27) |
| Amounts reclassified to earnings | — | (5) | (5) |
| Total other comprehensive loss attributable to Cardinal Health, Inc., net of tax benefit of $5 million | (38) | 6 | (32) |
| Balance at December 31, 2022 | $ (140) | $ (6) | $ (146) |

## 11. Earnings/(Loss) Per Share Attributable to Cardinal Health, Inc.

The following tables reconcile the number of common shares used to compute basic and diluted earnings/(loss) per share attributable to Cardinal Health, Inc.:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| Weighted-average common shares–basic | **245** | 261 |
| **Effect of dilutive securities:** | | |
| Employee stock options, restricted share units and performance share units | **1** | — |
| **Weighted-average common shares–diluted** | **246** | 261 |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| Weighted-average common shares–basic | **247** | 266 |
| **Effect of dilutive securities:** | | |
| Employee stock options, restricted share units and performance share units | **1** | — |
| **Weighted-average common shares–diluted** | **248** | 266 |

The potentially dilutive employee stock options, restricted share units and performance share units that were antidilutive were immaterial and 1 million for the three and six months ended December 31, 2023, respectively.

The potentially dilutive employee stock options, restricted share units and performance share units that were antidilutive were 3 million and 5 million for the three and six months ended December 31, 2022, respectively. For both the three and six months ended December 31, 2022, there were 2 million potentially dilutive employee stock options, restricted share units and performance share units not included in the computation of diluted loss per common share attributable to Cardinal Health, Inc. because their effect would have been antidilutive as a result of the net loss during those periods.

## 12. Segment Information

Our operations are principally managed on a products and services basis and are comprised of two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. The factors for determining the reportable segments include the manner in which management evaluates performance for purposes of allocating resources and assessing performance combined with the nature of the individual business activities.

Our Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical and over-the-counter healthcare and consumer products in the United States. This segment also provides services to pharmaceutical manufacturers and healthcare providers for specialty pharmaceutical products; provides pharmacy management services to hospitals and operates a limited number of pharmacies, including pharmacies in community health centers; operates nuclear pharmacies and radiopharmaceutical manufacturing facilities; and repackages generic pharmaceuticals and over-the-counter healthcare products.

Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of medical, surgical and laboratory products known as national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada. This segment also distributes medical products to patients' homes in

the United States through our Cardinal Health at-Home Solutions division.

In January 2024, we announced a change in our organizational structure and have re-aligned our reporting structure under two reportable segments: Pharmaceutical and Specialty Solutions segment and Global Medical Products and Distribution segment. All remaining operating segments that are not significant enough to require separate reportable segment disclosures are included in Other. The following indicates the changes in our reporting structure effective January 1, 2024:

- Pharmaceutical and Specialty Solutions segment: This reportable segment will comprise all businesses formerly within our Pharmaceutical segment except Nuclear and Precision Health Solutions.
- Global Medical Products and Distribution segment: This reportable segment will comprise all businesses formerly within our Medical segment except at-Home Solutions and OptiFreight Logistics.
- Other: This will consist of the remaining operating segments, Nuclear and Precision Health Solutions, at-Home Solutions and OptiFreight Logistics.

## Revenue

The following tables present revenue for each reportable segment, disaggregated revenue within our two reportable segments and Corporate:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| Pharmaceutical and Specialty Pharmaceutical Distribution and Services (1) | **$ 53,190** | $ 47,391 |
| Nuclear and Precision Health Solutions | **330** | 282 |
| Pharmaceutical segment revenue | **53,520** | 47,673 |
| Medical Products and Distribution (2) | **3,167** | 3,099 |
| Cardinal Health at-Home Solutions | **761** | 698 |
| Medical segment revenue | **3,928** | 3,797 |
| Total segment revenue | **57,448** | 51,470 |
| Corporate (3) | **(3)** | (1) |
| **Total revenue** | **$ 57,445** | $ 51,469 |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| Pharmaceutical and Specialty Pharmaceutical Distribution and Services (1) | **$ 103,872** | $ 92,938 |
| Nuclear and Precision Health Solutions | **654** | 563 |
| Pharmaceutical segment revenue | **104,526** | 93,501 |
| Medical Products and Distribution (2) | **6,243** | 6,239 |
| Cardinal Health at-Home Solutions | **1,445** | 1,336 |
| Medical segment revenue | **7,688** | 7,575 |
| Total segment revenue | **112,214** | 101,076 |
| Corporate (3) | **(6)** | (4) |
| **Total revenue** | **$ 112,208** | $ 101,072 |

(1) Comprised of all Pharmaceutical segment businesses except for Nuclear and Precision Health Solutions division.

(2) Comprised of all Medical segment businesses except for Cardinal Health at-Home Solutions division.

(3) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

The following tables present revenue by geographic area:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| United States | **$ 56,241** | $ 50,333 |
| International | **1,207** | 1,137 |
| Total segment revenue | **57,448** | 51,470 |
| Corporate (1) | **(3)** | (1) |
| **Total revenue** | **$ 57,445** | $ 51,469 |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| United States | **$ 109,798** | $ 98,810 |
| International | **2,416** | 2,266 |
| Total segment revenue | **112,214** | 101,076 |
| Corporate (1) | **(6)** | (4) |
| **Total revenue** | **$ 112,208** | $ 101,072 |

(1) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

## Segment Profit

We evaluate segment performance based on segment profit, among other measures. Segment profit is segment revenue, less segment cost of products sold, less segment distribution, selling, general and administrative ("SG&A") expenses. Segment SG&A expenses include share-based compensation expense as well as allocated corporate expenses for shared functions, including corporate management, corporate finance, financial and customer care shared services, human resources, information technology and legal and compliance, including certain litigation defense costs. Corporate expenses are allocated to the segments based on headcount, level of benefit provided and other ratable allocation

methodologies. The results attributable to noncontrolling interests are recorded within segment profit.

We do not allocate the following items to our segments:

- last-in first-out, or ("LIFO"), inventory charges/(credits);
- surgical gown recall costs/(income);
- state opioid assessment related to prior fiscal years;
- shareholder cooperation agreement costs;
- restructuring and employee severance;
- amortization and other acquisition-related costs;
- impairments and (gain)/loss on disposal of assets, net; in connection with goodwill impairment testing for the Medical Unit as discussed further in Note 4, we recognized cumulative pre-tax goodwill impairment charges of $581 million and $863 million during the six months ended December 31, 2023 and $709 million during the three months ended December 31, 2022;
- litigation (recoveries)/charges, net;
- other (income)/expense, net;
- interest expense, net;
- loss on early extinguishment of debt;
- provision for/(benefit from) income taxes

In addition, certain investment spending, certain portions of enterprise-wide incentive compensation and other spending are not allocated to the segments. Investment spending generally includes the first-year spend for certain projects that require incremental investments in the form of additional operating expenses. Because approval for these projects is dependent on executive management, we retain these expenses at Corporate. Investment spending within Corporate was $14 million and $5 million for the three months ended December 31, 2023 and 2022, respectively, and $20 million and $11 million for the six months ended December 31, 2023 and 2022, respectively.

The following tables present segment profit by reportable segment and Corporate:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| Pharmaceutical | **$ 518** | $ 464 |
| Medical | **71** | 17 |
| Total segment profit | **589** | 481 |
| Corporate | **(107)** | (600) |
| **Total operating earnings/(loss)** | **$ 482** | $ (119) |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| Pharmaceutical | **$ 1,025** | $ 895 |
| Medical | **142** | 9 |
| Total segment profit | **1,167** | 904 |
| Corporate | **(699)** | (886) |
| **Total operating earnings/(loss)** | **$ 468** | $ 18 |

The following table presents total assets for each reportable segment and Corporate at:

| (in millions) | **December 31, 2023** | June 30, 2023 |
|---|---|---|
| Pharmaceutical | **$ 31,018** | $ 28,077 |
| Medical | **9,817** | 10,130 |
| Corporate | **5,738** | 5,210 |
| **Total assets** | **$ 46,573** | $ 43,417 |

## 13. Share-Based Compensation

We maintain stock incentive plans (collectively, the “Plans”) for the benefit of certain of our officers, directors and employees.

The following tables provide total share-based compensation expense by type of award:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| Restricted share unit expense | **$ 17** | $ 15 |
| Performance share unit expense | **11** | 10 |
| **Total share-based compensation** | **$ 28** | $ 25 |

| | Six Months Ended December 31, | |
|---|---|---|
| (in millions) | **2023** | 2022 |
| Restricted share unit expense | **$ 38** | $ 32 |
| Performance share unit expense | **19** | 16 |
| **Total share-based compensation** | **$ 57** | $ 48 |

The total tax benefit related to share-based compensation was $4 million and $3 million for the three months ended December 31, 2023 and 2022, respectively, and $8 million and $6 million for the six months ended December 31, 2023 and 2022, respectively.

### Restricted Share Units

Restricted share units granted under the Plans generally vest in equal annual installments over three years. Restricted share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to restricted share units under the Plans:

| (in millions, except per share amounts) | Restricted Share Units | Weighted-Average Grant Date Fair Value per Share |
|---|---|---|
| Nonvested at June 30, 2023 | 2.2 | $ 57.37 |
| Granted | 0.9 | 90.69 |
| Vested | (1.0) | 60.80 |
| Canceled and forfeited | (0.1) | 69.55 |
| **Nonvested at December 31, 2023** | **2.0** | **$ 69.44** |

At December 31, 2023, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested restricted share units not yet recognized was $103 million, which is expected to be recognized over a weighted-average period of two years.

### Performance Share Units

Performance share units vest over a three-year performance period based on achievement of specific performance goals. Based on the extent to which the targets are achieved, vested shares may range from zero to 234 percent of the target award amount for both the fiscal 2022 and 2023 grants and zero to 240 percent of the target award for the fiscal 2024 grant. Performance share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to performance share units under the Plans (based on target award amounts):

| (in millions, except per share amounts) | Performance Share Units | Weighted-Average Grant Date Fair Value per Share |
|---|---|---|
| Nonvested at June 30, 2023 | 1.2 | $ 82.17 |
| Granted | 0.6 | 94.66 |
| Vested | (0.4) | 62.26 |
| Canceled and forfeited | — | — |
| **Nonvested at December 31, 2023** | **1.4** | **$ 96.55** |

At December 31, 2023, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized was $60 million, which is expected to be recognized over a weighted-average period of two years if performance goals are achieved.

## 14. Subsequent Events

On January 31, 2024, we announced that we had entered into a definitive agreement to acquire Specialty Networks, a technology-enabled multi-specialty group purchasing and practice enhancement organization for a purchase price of $1.2 billion in cash, subject to certain adjustments. Specialty Networks creates clinical and economic value for independent specialty providers and partners across multiple specialty GPOs: UroGPO, Gastrologix and GastroGPO, and United Rheumatology. The acquisition will further expand our offering in key therapeutic areas by enhancing our downstream provider-focused analytics capabilities and service offerings and by accelerating our upstream data and research opportunities with biopharma manufacturers.

This transaction is subject to the satisfaction of customary closing conditions, including receipt of required regulatory approvals. We plan to fund the acquisition with available cash.

# Exhibits

| Exhibit Number | Exhibit Description |
|---|---|
| 3.1 | Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373) |
| 3.2 | Cardinal Health, Inc. Restated Code of Regulations (incorporated by reference to Exhibit 3.1 to Cardinal Health's Current Report on Form 8-K filed on May 11, 2023, File No. 1-11373) |
| 10.1 | Consent to Amendment of Performance Guarantee |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 99.1 | Statement Regarding Forward-Looking Information |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File - formatted in Inline XBRL (included as Exhibit 101) |

* Certain schedules have been omitted pursuant to Item 601(a)(5) of Regulation S0-K under the Exchange Act. The company undertakes to furnish supplemental copies of any of the omitted schedules to the SEC upon request.

## Cardinal Health Website

Cardinal Health uses its website as a channel of distribution for material company information. Important information, including news releases, financial information, earnings and analyst presentations, and information about upcoming presentations and events is routinely posted and accessible at ir.cardinalhealth.com. In addition, the website allows investors and other interested persons to sign up automatically to receive e-mail alerts when we post news releases, SEC filings and certain other information on its website.

# Form 10-Q Cross Reference Index



**N/A** Not applicable

# Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cardinal Health, Inc.

Date: February 1, 2024

/s/ JASON M. HOLLAR

**Jason M. Hollar**
**Chief Executive Officer**

/s/ AARON E. ALT

**Aaron E. Alt**
**Chief Financial Officer**

MUFG Bank, Ltd., as Agent and a Financial Institution
1221 Avenue of the Americas
New York, NY 10020
Attention: Rudy Liu

PNC Bank, National Association, as the LC Bank and as a Financial Institution
The Tower at PNC Plaza
300 Fifth Avenue, 11th Floor
Pittsburgh, PA 15222
Attention: Brian Stanley

The Bank of Nova Scotia, as a Financial Institution
250 Vesey Street, 24th Floor
New York, NY 10281
Attention: Gig Morris

Wells Fargo Bank, N.A., as a Managing Agent
1100 Abernathy Road NE – 16th Floor
Suite 1600
Atlanta, GA 30328-5657
Attention: Bria Brown

Bank of America, National Association, as a Financial Institution
13510 Ballantyne Corporate Place
Charlotte, NC 28277
Attention: Chris Haynes and Ross Glynn

October 23, 2023

Re: Consent to Amendment to Performance Guaranty

Ladies and Gentlemen:

Reference is hereby made to (i) the Performance Guaranty, dated as of September 1, 2023 (the "CH 23 Guaranty") executed by Cardinal Health, Inc., an Ohio corporation (the "Performance Guarantor") in favor of Cardinal Health 23 Funding, LLC, a Nevada limited liability company and (ii) the Seventh Amended and Restated Performance Guaranty, dated as of November 14, 2016 (the "CH Funding Guaranty," together with the CH 23 Guaranty, the "Guaranties," and each, a "Guaranty") executed by the Performance Guarantor in favor of Cardinal Health Funding, LLC, a Nevada limited liability company. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Guaranties.

Section 7 of each Guaranty requires that the Performance Guarantor comply at all times with Section 6.12 of the Credit Agreement, without giving effect to any amendment, modification or waiver thereof (or any amendment or modification of any defined term in the Credit Agreement that would directly or indirectly change the covenants set forth in such Section 6.12), unless such amendment, modification or waiver is consented to in writing by the Agent, the Required Financial Institutions and all LC Banks (in each case, in their capacities as such under the Receivables Purchase Agreement) (collectively, the "Consenting Parties").

Effective as of February 27, 2023, Section 6.12 of the Credit Agreement was amended and restated to read as set forth on Exhibit A, attached hereto (the "Credit Agreement Amendment and Restatement"). The full text of the Credit Agreement Amendment and Restatement is available as Exhibit 10.1 to the Current Report on Form 8-K publicly filed by the Performance Guarantor on March 2, 2023.

If you consent to updating Section 7 of each Guaranty to refer to the Credit Agreement, as amended and restated as of February 27, 2023, please so indicate by executing where indicated, below, and delivering this signed letter to us at your earliest convenience. Upon receipt of the consent of the Consenting Parties, Section 7 of each Guaranty shall be deemed to refer to the Credit Agreement as amended and restated as of February 27, 2023.

If you have any questions or would like to discuss, please feel free to reach out to Scott Zimmerman at (###) ###-####, Jeff Cui at (###) ###-#### or Jeremy Sell at (###) ###-####.

Very truly yours,

CARDINAL HEALTH, INC.,
as Performance Guarantor

By: /s/ Scott Zimmerman
Name: Scott Zimmerman
Title: Treasurer

WELLS FARGO BANK, N.A.,
as a Financial Institution and as Managing Agent for WF's Purchaser Group

By: /s/ Ryan Tozier
Name: Ryan Tozier
Title: Managing Director

PNC BANK, NATIONAL ASSOCIATION,
as a Financial Institution and as Managing Agent for PNC's Purchaser Group

By: /s/ Michael Brown
Name: Michael Brown
Title: Executive Vice President

PNC BANK, NATIONAL ASSOCIATION,
as an LC Bank

By: /s/ Michael Brown
Name: Michael Brown
Title: Executive Vice President

VICTORY RECEIVABLES CORPORATION,
as a Conduit

By: /s/ Kevin J. Corrigan
Name: Kevin J. Corrigan
Title: Vice President

MUFG BANK, LTD.,
as Related Financial Institution for Victory

By: /s/ Helen Ellis
Name: Helen Ellis
Title: Managing Director

MUFG BANK, LTD.,
as Managing Agent for Victory's Purchaser Group

By: /s/ Helen Ellis
Name: Helen Ellis
Title: Managing Director

MUFG BANK, LTD.,
as Agent

By: /s/ Helen Ellis
Name: Helen Ellis
Title: Managing Director

LIBERTY STREET FUNDING LLC,
as a Conduit

By: /s/ Kevin J. Corrigan
Name: Kevin J. Corrigan
Title: Vice President

THE BANK OF NOVA SCOTIA,
as Related Financial Institution for Liberty Street and as Managing Agent for Liberty Street's Purchaser Group

By: /s/ Doug Noe
Name: Doug Noe
Title: Managing Director

BANK OF AMERICA, NATIONAL ASSOCIATION,
as a Managing Agent and a Financial Institution

By: /s/ Ross Glynn
Name: Ross Glynn
Title: Vice President

6.12 Consolidated Net Leverage Ratio.

The Company shall not permit the Consolidated Net Leverage Ratio as of the last day of any fiscal quarter of the Company (each such date, a "Test Date") to be greater than 3.75 to 1.00; provided that if a Material Acquisition is consummated, then, upon written notice by the Company given to the Administrative Agent in the applicable Compliance Certificate, solely for the first four Test Dates occurring on or after the date such Material Acquisition is consummated, in lieu of the foregoing, the Company shall not permit the Consolidated Net Leverage Ratio on any such Test Date to be greater than 4.25 to 1.00 (each such period, a "Leverage Holiday"); and provided, further, if the Company requests a Leverage Holiday, then the Company shall not be permitted to request a subsequent Leverage Holiday until at least one full fiscal quarter has transpired thereafter where no Leverage Holiday was in effect at any time during such fiscal quarter.

**Exhibit 31.1**

I, Jason M. Hollar, certify that:

1. I have reviewed this Form 10-Q of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2024

/s/ JASON M. HOLLAR

Jason M. Hollar

Chief Executive Officer

**Exhibit 31.2**

I, Aaron E. Alt, certify that:

1. I have reviewed this Form 10-Q of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2024

/s/ AARON E. ALT

Aaron E. Alt
Chief Financial Officer

**Exhibit 32.1**

**Certification of the Chief Executive Officer and the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Jason M. Hollar, Chief Executive Officer of Cardinal Health, Inc. (the "Company") and Aaron E. Alt, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) the Periodic Report on Form 10-Q for the quarter ended December 31, 2023 containing the financial statements of the Company (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 1, 2024

/s/ JASON M. HOLLAR
Jason M. Hollar
Chief Executive Officer

/s/ AARON E. ALT
Aaron E. Alt
Chief Financial Officer

## Statement Regarding Forward-Looking Information

As used in this exhibit, “we,” “our,” “us” and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our filings with the U.S. Securities and Exchange Commission, including our annual report on Form 10-K for the fiscal year ended June 30, 2023 (the “2023 Form 10-K”), our quarterly reports on Form 10-Q, including this one, and our current reports on Form 8-K (along with any exhibits and amendments to such reports), as well as our news releases or any other written or oral statements made by or on behalf of us, including materials posted on our website, may include, directly or by incorporation by reference, forward-looking statements that reflect our current view (as of the date the forward-looking statement is first made) about future events, prospects, projections or financial performance. The matters discussed in these forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied in or by such statements. These risks and uncertainties include:

- competitive pressures in the markets in which we operate, including pricing pressures;
- uncertainties relating to the pricing of and demand for generic pharmaceuticals;
- significantly increased costs for commodities and other materials used in the Global Medical Products and Distribution segment manufacturing, including various components, compounds, raw materials or energy such as oil-based resins, pulp, cotton, latex and other commodities and the possibility that we may not successfully offset or mitigate these increases;
- uncertainties relating to the timing, frequency and profitability of generic pharmaceutical launches or other components of our pharmaceutical generics program;
- changes in the timing or frequency of the introduction of branded pharmaceuticals;
- uncertainties related to the timing, magnitude and profit impact of the distribution of recently commercially available COVID-19 vaccines;
- material reductions in purchases, pricing changes, non-renewal, early termination, or delinquencies or defaults under contracts with key customers;
- any compromise of our information systems or of those of a third-party service provider, including unauthorized access to or use or disclosure of company or customer information, disruption of access and ancillary risks associated with our ability to effectively manage any issues arising from any such compromise or disruption;
- continuing risks associated with the resolution and defense of the lawsuits and investigations in which we have been or will be named relating to the distribution of prescription opioid pain medication, including the investigations by the U.S. Department of Justice which concerns our anti-diversion program, our anti-diversion policies and procedures and our distribution of certain controlled substances;
- risks associated with the national opioid settlement agreement, including the risk that the maintenance of the required changes to distributors' controlled substance anti-diversion programs may result in unforeseen costs or operational challenges and the risk that if we fail to or are alleged to have failed to comply with the terms of the settlement agreement, we could incur monetary or other penalties or result in additional lawsuits being filed against us;
- uncertainties related to Cardinal Health Brand products, including our ability to manage cost and infrastructure, retain margin, increase volume and improve performance;
- risks arising from acquisitions, including possible liabilities relating to the operations or activities of such businesses prior to their acquisition, and uncertainties relating to our ability to achieve the anticipated results from acquisitions;
- risks associated with the tax benefit from our self-insurance loss claims, including, certain state courts' interpretation of laws and insurance policies in ways that may impact our self-insurance loss, which could negatively impact our financial position;
- disruption, damage or lack of access to, or failure of, our or our third-party service providers' information systems, our critical facilities, including our national logistics center, or our distribution networks;
- risks associated with our Corporate Integrity Agreement with the Office of Inspector General of the Department of Health and Human Services, including the risk that failure to comply with the requirements set forth therein could result in monetary or other penalties;
- our high sales concentration with certain key customers, including CVS Health Corporation and OptumRx;
- our ability to maintain the benefits of our generic pharmaceutical sourcing venture with CVS Health Corporation;
- costs or claims resulting from quality issues, or other potential or alleged errors or defects in our manufacturing or sourcing of medical devices or other products or in our compounding, repackaging, information systems or pharmacy management services that may injure persons or damage property or operations, including costs from recalls, remediation efforts, and related product liability claims and lawsuits, including class action lawsuits;
- actions of regulatory bodies and other governmental authorities, including the U.S. Drug Enforcement Administration, certain agencies within the U.S. Department of Health and Human Services (including the U.S. Food and Drug Administration, Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights), the U.S. Nuclear Regulatory Commission, the U.S. Federal Trade Commission, the U.S. Customs and Border Protection, various state boards of pharmacy, state controlled substance authorities, state health departments, state insurance departments, state Medicaid departments or comparable regulatory bodies or governmental authorities or foreign equivalents that, in each case, could delay, limit or suspend product development, manufacturing, distribution, importation or sales or result in warning letters, recalls, seizures, injunctions or monetary sanctions;

- shortages in commodities, components, compounds, raw materials or energy used by our businesses, including supply disruptions of radioisotopes;
- the loss of, or default by, one or more key suppliers for which alternative suppliers may not be readily available;
- uncertainties with respect to certain business process initiatives, including IT infrastructure activities and outsourcing relationships, including the ability to achieve the expected benefits from such initiatives, the risk that we could incur unexpected charges, and the risk that we may fail to retain key personnel;
- difficulties or delays in the development, production, manufacturing, sourcing and marketing of new or existing products and services, including difficulties or delays associated with obtaining or maintaining requisite regulatory consents, whether our own or third parties', or approvals associated with those activities;
- manufacturing disruptions, whether due to regulatory action, including regulatory action to reduce ethylene oxide ("EtO") emissions, production quality deviations, safety issues or raw material shortages or defects, or because a key product is manufactured at a single manufacturing facility with limited alternate facilities;
- risks associated with industry reliance on EtO to sterilize certain medical products that we manufacture or distribute, including the possibility that regulatory actions to reduce EtO emissions could become more widespread, which may result in increased costs or supply shortages; and risks that the lawsuits against us alleging personal injury resulting from EtO exposure could become more widespread;
- the possibility that we could be subject to adverse changes in the tax laws or challenges to our tax positions, including the possibility that the corporate tax rate in the U.S. could be increased;
- risks arising from possible violations of healthcare fraud and abuse laws;
- risks arising from possible violations of the U.S. Foreign Corrupt Practices Act and other similar anti-corruption laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws;
- risks arising from our collecting, handling and maintaining patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information;
- risks arising from certain of our businesses being Medicare-certified suppliers or participating in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program, which businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements;
- risks arising from pharmaceutical manufacturers' restriction of sales under the 340B drug pricing program to contract pharmacies, which may adversely impact our customers;
- risks arising from certain of our businesses manufacturing pharmaceutical and medical products or repackaging pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs, which businesses are subject to federal and state laws that establish eligibility for reimbursement by such programs and other applicable standards and regulations;
- changes in laws or changes in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations, including as a result of possible misinterpretations or misapplications;
- unfavorable changes to the terms or with our ability to meet contractual obligations of key customer or supplier relationships, or changes in customer mix;
- risks arising from changes in U.S. or foreign tax laws and unfavorable challenges to our tax positions and payments to settle these challenges, which may adversely affect our effective tax rate or tax payments;
- uncertainties due to possible government healthcare reform, including proposals related to Medicare drug rebate arrangements, possible repeal or replacement of major parts of the Patient Protection and Affordable Care Act, proposals related to prescription drug pricing transparency and the possible adoption of Medicare-For-All;
- reductions or limitations on governmental funding at the state or federal level or efforts by healthcare insurance companies to limit payments for products and services;
- changes in manufacturers' pricing, selling, inventory, distribution or supply policies or practices;
- changes in legislation or regulations governing prescription drug pricing, healthcare services or mandated benefits;
- uncertainties arising as a result of the Supreme Court decision on Dobbs vs. Jackson, including uncertainties associated with states' proposed and adopted laws which may impact our ability to distribute or store certain pharmaceutical products and the risk that we could incur unforeseen costs to comply with these new laws in various jurisdictions;
- changes in hospital buying groups or hospital buying practices;
- changes in distribution or sourcing models for pharmaceutical and medical and surgical products, including an increase in direct and limited distribution;
- changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;

- continuing consolidation in the healthcare industry, which could give the resulting enterprises greater bargaining power and may increase pressure on prices for our products and services or result in the loss of customers;
- risks to our business and information and controls systems in the event that business process improvements, infrastructure modernization or initiatives to use third-party service providers for key systems and processes are not effectively implemented;
- the risk that we may not effectively implement and maintain data governance structures across businesses to allow us to access and interpret our data, which could put us at a competitive disadvantage relative to our peers;
- the results, costs, effects or timing of any commercial disputes, government contract compliance matters, patent infringement claims, *qui tam* actions, government investigations, shareholder lawsuits or other legal proceedings;
- the possibility that our business performance or internal control over financial reporting may be adversely impacted if we are not successful at attracting, retaining and developing talent;
- losses relating to product liability lawsuits and claims regarding products for which we cannot obtain product liability insurance or for which such insurance may not be adequate to cover our losses, including the product liability lawsuits we are currently defending relating to alleged personal injuries associated with the use of Cordis inferior vena cava filter products;
- risks associated with the importation of products or source materials used in products that we manufacture or distribute, including risks associated with our country-of-origin determinations and the possibility that we could experience additional supply disruptions as a result of the Uyghur Forced Labor Prevention Act or other similar regulations;
- our ability to maintain adequate intellectual property protections;
- our ability to manage and complete divestitures or other strategic business combination transactions, including our ability to find buyers or other strategic exit opportunities and risks associated with the possibility that we could experience greater dis-synergies than anticipated or otherwise fail to achieve our strategic objectives;
- bankruptcy, insolvency or other credit failure of a customer or supplier that owes us a substantial amount;
- risks associated with global operations, including the effect of local economic environments, inflation, recession, currency volatility and global competition, in addition to risks associated with compliance with U.S. and international laws relating to global operations;
- uncertainties with respect to U.S. or international trade policies, tariffs, excise or border taxes and their impact on our ability to source products or materials that we need to conduct our business;
- risks associated with our use of and reliance on the global capital and credit markets, including our ability to access credit and our cost of credit, which may adversely affect our ability to efficiently fund our operations or undertake certain expenditures;
- our ability to introduce and market new products and our ability to keep pace with advances in technology;
- significant charges to earnings if goodwill or intangible assets become impaired;
- uncertainties relating to general political, business, industry, regulatory and market conditions;
- certain risks arising from the ongoing COVID-19 pandemic; and
- other factors described in the “Risk Factors” section of the 2023 Form 10-K.

The words “expect,” “anticipate,” “intend,” “plan,” “believe,” “will,” “should,” “could,” “would,” “project,” “continue,” “likely,” and similar expressions generally identify “forward-looking statements,” which speak only as of the date the statements were made, and also include statements reflecting future results or guidance, statements of outlook and expense accruals. We undertake no obligation to update or revise any forward-looking statements, except to the extent required by applicable law.