



Q1 FY25 Earnings

Cardinal Health, Inc.

November 1, 2024

Cautions Concerning Forward-Looking Statements

This presentation contains forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. These statements may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and various accruals and estimates. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. These risks and uncertainties include the risk that we may fail to achieve our strategic objectives, including the continued execution of the GMPD Improvement Plan, whether as a result of our expectations for Cardinal Health Brand sales or ongoing inflationary pressures; competitive pressures in Cardinal Health's various lines of business, including the risk that customers may reduce purchases made under their contracts with us or terminate or not renew their contracts or the risk that we may fail to offset the impact of a recent significant customer loss; our ability to manage uncertainties associated with the pricing of branded pharmaceuticals, including as a result of possible legislative action; risks arising from our ongoing audits with the IRS, including the risk that the IRS may disagree with certain positions we have taken, which may result in an increase to our effective tax rate or other costs; risks associated with litigation matters, including an Department of Justice investigation focused on potential violations of the Anti-Kickback Statute and False Claims Act; the risk that events outside of our control, such as weather or geopolitical events, may impact demand for our products or may cause supply shortages that impact our ability to fulfill customer demand; the performance of our generics program, including the amount or rate of generic deflation and our ability to offset generic deflation and maintain other financial and strategic benefits through our generic sourcing venture or other components of our generics programs; the possibility that our At-Home unit goodwill could become impaired due to changes to our long-term financial plan, increases in global interest rates or unfavorable changes in the U.S. statutory tax rate. Cardinal Health is subject to additional risks and uncertainties described in Cardinal Health's Form 10-K, Form 10-Q and Form 8-K reports and exhibits to those reports. This presentation reflects management's views as of November 1, 2024. Except to the extent required by applicable law, Cardinal Health undertakes no obligation to update or revise any forward-looking statement. Forward-looking statements are aspirational and not guarantees or promises that goals, targets or projections will be met, and no assurance can be given that any commitment, expectation, initiative or plan in this report can or will be achieved or completed. Cardinal Health provides definitions and reconciliations of non-GAAP financial measures and their most directly comparable GAAP financial measures at ir.cardinalhealth.com.





Q1 Results

Q1 FY25 financial summary

	GAAP Basis (\$M) Q1 FY25	Non-GAAP Basis (\$M) Q1 FY25
Revenue <i>% change</i>	\$52,277 <i>(4)%</i>	N/A
Gross Margin <i>% change</i>	\$1,902 <i>9%</i>	\$1,902 <i>9%</i>
SG&A <i>% change</i>	\$1,277 <i>8%</i>	\$1,277 <i>8%</i>
Operating Earnings <i>% change</i>	\$568 <i>N.M.</i>	\$625 <i>12%</i>
Interest and Other¹ <i>% change</i>	\$27 <i>N.M.</i>	N/A
Net Earnings² <i>% change</i>	\$416 <i>N.M.</i>	\$460 <i>7%</i>
Diluted EPS² <i>% change</i>	\$1.70 <i>N.M.</i>	\$1.88 <i>9%</i>

¹The sum of "other (income)/expense, net" and "interest expense, net"

²Attributable to Cardinal Health, Inc.

Please see appendix for GAAP to Non-GAAP reconciliations.



Pharmaceutical and Specialty Solutions

Q1 FY25 results

	Q1 FY25 (\$M)	Q1 FY24 (\$M)	YoY change
Revenue	\$47,990	\$50,588	(5)%
Segment profit	\$530	\$456	16%
Segment profit margin	1.10%	0.90%	20 bps

Drivers:

Revenue

- Large customer contract expiration
- + Brand and specialty pharmaceutical sales growth from existing customers

Segment profit

- + Brand and specialty products, including earlier seasonal launch of COVID-19 vaccine distribution
- + Generics program
- Large customer contract expiration

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



Global Medical Products and Distribution

Q1 FY25 results

	Q1 FY25 (\$M)	Q1 FY24 (\$M)	YoY change
Revenue	\$3,123	\$3,032	3%
Segment profit	\$8	\$12	N.M.
Segment profit margin	0.26%	0.40%	(14) bps

Drivers:

Revenue

- + Volume growth from existing customers

Segment profit

- Higher manufacturing and health and welfare costs
- + Improvement in net inflationary impacts, including mitigation initiatives
- + Growth from existing customers

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



Other: NPHS, at-Home Solutions and OptiFreight

Q1 FY25 results

	Q1 FY25 (\$M)	Q1 FY24 (\$M)	YoY change
Revenue	\$1,186	\$1,051	13%
Segment profit	\$104	\$96	8%
Segment profit margin	8.77%	9.13%	(36) bps

Drivers:

Revenue

- + Growth across the three operating segments

Segment profit

- + Performance of OptiFreight Logistics

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





Outlook

FY25 financial expectations

	FY25 outlook	FY24 actual
Non-GAAP EPS	\$7.75 - \$7.90 <i>Previously \$7.55 - \$7.70</i>	\$7.53
Interest and Other	\$140M - \$170M	\$42M
Non-GAAP ETR	23.0% - 24.0%	21.7%
Diluted weighted average shares outstanding	~243M	247M
Share repurchases	\$750M	\$750M
Capital expenditures	\$500M to \$550M	\$511M
Non-GAAP adjusted free cash flow	\$1.0B - \$1.5B <i>Previously ~\$1B</i>	\$3.9B

Bold indicates a **change** to the FY25 outlook provided in the Q4 FY24 earnings release on August 14, 2024.

The company does not provide forward-looking expectations on a GAAP basis as certain financial information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated. See "use of non-GAAP measures" in the financial appendix at the end of this presentation for additional explanation.



FY25 segment guidance

Revenue and segment profit

Pharmaceutical and Specialty Solutions

Revenue decline of

2% to 4%

Previously decline of 4% to 6%

Segment profit growth of

4% to 6%

Previously growth of 1% to 3%

Global Medical Products and Distribution

Revenue growth of

2% to 4%

Previously growth of 3% to 5%

Segment profit of

\$140M to \$175M

Previously ~\$175M

Other

Revenue growth of

10% to 12%

Segment profit growth of

~10%

Bold indicates a **change** to the FY25 outlook provided in the Q4 FY24 earnings release on August 14, 2024.

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



Strategic priorities

Ruthless prioritization, resilient core and relentless focus

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

- Generate stable, **low-single digit growth** in **core business** + **double-digit growth** in **Specialty**
- Continue to effectively manage our **generics program**
- **Focus on Specialty**, including growing Navista and Specialty Networks

2 Execute GMPD Improvement Plan initiatives

- Continue to **effectively mitigate supply chain inflation**
- Grow **Cardinal Health™ Brand** with 5-point plan
- Drive **simplification** and continued **cost optimization**

3 Accelerate growth in key areas

- **Support innovation** through our NPHS Center for Theranostics Advancement
- Continue to **grow patients served** by at-Home Solutions and **drive operating leverage**
- Expand OptiFreight's **TotalVue™ Insights platform**

4 Relentless focus on shareholder value creation

- Generate robust **adjusted free cash flow**
- Opportunistically evaluate **disciplined M&A**
- **Return capital to shareholders** through share repurchase authorization and dividends
- Continue to execute **additional value creation initiatives**



GMPD improvement plan

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

The journey to **~\$300M in segment profit** and **at least \$500M** in additional value creation **by FY26** in GMPD

No changes to the company's GMPD Improvement Plan.

¹As of fiscal year 2022 baseline.

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

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



Our long-term targets: FY24-26

(FY23 Baseline)



4% to 6%
Growth CAGR



Pharma and
Specialty Solutions
Segment Profit

~\$300M
in FY26



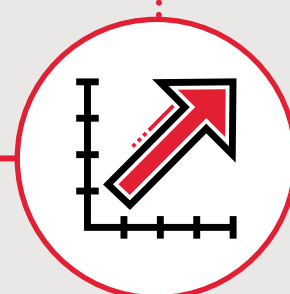
GMPD
Segment Profit

8% to 10%
Growth CAGR



Other
Segment Profit

at least
\$2.5B



Share
repurchases¹

12% to 14%
Growth CAGR



non-GAAP diluted
EPS growth

No changes to the company's long-term non-GAAP diluted EPS growth target of **12% to 14% growth CAGR** relative to FY23 baseline².

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



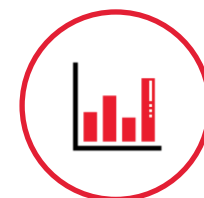
Disciplined Capital Allocation Framework

FY24 – FY26

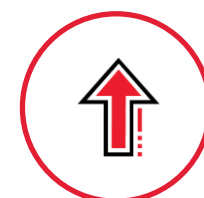
Table stakes



Investing back into the business to drive organic growth



Maintain investment grade balance sheet



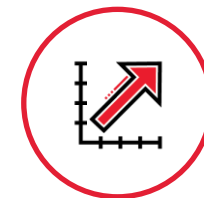
Baseline return of capital to shareholders

- Continue to grow the dividend
- Baseline share repurchases

Opportunistic levers



Active, disciplined and targeted M&A



Additional opportunistic share repurchases

FY25 Progress



\$90M in capex



Completed annual opioid settlement payment
Comfortably **within range** of **targeted leverage**



~\$500M in baseline capital returned to shareholders

- **\$375M** of \$500M FY25 baseline share repurchases
- **\$125M** in dividend payments



Announced acquisition of **Integrated Oncology Network**, a physician-led **independent community oncology** network



\$250M of **opportunistic share repurchases** included in guidance



Compelling investment thesis

Moving healthcare forward



Pharmaceutical and Specialty Solutions

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

Investing to **further accelerate Specialty** growth

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



Medical Products and Distribution

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

Seeing momentum and expecting significant year-over-year improvement



Other Growth Areas

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

Investing to continue their **strong growth trajectories**



Cash flow and capital deployment

Continued **robust adjusted free cash flow** generation

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



Value creation

Relentlessly focused on **maximizing shareholder value**

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



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



Appendix

Cardinal Health, Inc. and Subsidiaries

GAAP / Non-GAAP Reconciliation¹

	Gross Margin	Gross Growth Rate	SG&A ²	SG&A ² Growth Rate	Operating Earnings/ (Loss)	Operating Earnings/ Growth Rate	Earnings/ (Loss) Before Income Taxes	Provision for/ (Benefit from) Income Taxes	Net Earnings/ (Loss) ³	Net Earnings ³ Growth Rate	Effective Tax Rate	Diluted EPS ^{3,4}	Diluted EPS ³ Growth Rate
(in millions, except per common share amounts)													
First Quarter 2025													
GAAP	\$ 1,902	9 %	\$ 1,277	8 %	\$ 568	N.M.	\$ 541	\$ 124	\$ 416	N.M.	23.0 %	\$ 1.70	N.M.
Restructuring and employee severance	-		-		24		24	6	18				0.07
Amortization and other acquisition-related costs	-		-		74		74	20	54				0.22
Impairments and (gain)/loss on disposal of assets, net	-		-		(1)		(1)	-	(1)				-
Litigation (recoveries)/charges, net	-		-		(40)		(40)	(12)	(28)				(0.11)
Non-GAAP	\$ 1,902	9 %	\$ 1,277	8 %	\$ 625	12 %	\$ 598	\$ 138	\$ 460	7 %	23.0 %	\$ 1.88	9 %
First Quarter 2024													
GAAP	\$ 1,743	9 %	\$ 1,186	(1)%	\$ (32)	N.M.	\$ (44)	\$ (33)	\$ (12)	N.M.	75.1 %	\$ (0.05)	N.M.
Restructuring and employee severance	-		-		25		25	7	18				0.07
Amortization and other acquisition-related costs	-		-		64		64	17	47				0.19
Impairments and (gain)/loss on disposal of assets, net ⁵	-		-		541		541	135	406				1.63
Litigation (recoveries)/charges, net	-		-		(41)		(41)	(12)	(29)				(0.12)
Non-GAAP	\$ 1,743	9 %	\$ 1,186	— %	\$ 557	37 %	\$ 545	\$ 114	\$ 430	37 %	20.9 %	\$ 1.72	50 %

¹ For more information on these measures, refer to the Use of Non-GAAP Measures and Definitions schedules.

² Distribution, selling, general and administrative expenses.

³ Attributable to Cardinal Health, Inc.

⁴ For the three months ended September 30, 2023, GAAP diluted EPS and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 249 million common shares, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the period. For the three months ended September 30, 2023, non-GAAP diluted EPS is calculated using a weighted average of 250 million common shares, which includes potentially dilutive shares.

⁵ For the three months ended September 30, 2023, impairments and (gain)/loss on disposals of assets, net includes a pre-tax goodwill impairment charge of \$585 million, related to the GMPD segment. For fiscal 2024, the net tax benefit related to this charge was \$45 million and was included in the annual effective tax rate. As a result, the tax benefit for the three months ended September 30, 2023 increased approximately by an incremental \$102 million, and increased the provision for income taxes during the remainder of fiscal 2024.

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

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



Cardinal Health, Inc. and Subsidiaries

GAAP / Non-GAAP Reconciliation¹

	Gross Margin	Gross Growth Rate	SG&A ²	SG&A ² Growth Rate	Operating Earnings	Operating Growth Rate	Earnings Before Income Taxes	Provision for Income Taxes	Net Earnings ³	Net Earnings ³ Growth Rate	Effective Tax Rate	Diluted EPS ³	Diluted EPS ³ Growth Rate
<i>(in millions, except per common share amounts)</i>													
	Fiscal Year 2024												
GAAP	\$ 7,414	8 %	\$ 5,000	4 %	\$ 1,243	0.65	\$ 1,201	\$ 348	\$ 852	N.M.	28.9 %	\$ 3.45	N.M.
Shareholder cooperation agreement costs	-		(1)		1		1	-	1			-	
Restructuring and employee severance	-		-		175		175	41	134			0.54	
Amortization and other acquisition-related costs	-		-		284		284	74	210			0.85	
Impairments and (gain)/loss on disposal of assets, net ⁴	-		-		634		634	47	587			2.38	
Litigation (recoveries)/charges, net	-		-		78		78	5	73			0.30	
Non-GAAP	\$ 7,414	8 %	\$ 5,000	4 %	\$ 2,414	16 %	\$ 2,372	\$ 515	\$ 1,856	21 %	21.7 %	\$ 7.53	29 %

¹ For more information on these measures, refer to the Use of Non-GAAP Measures and Definitions schedules.

² Distribution, selling, general and administrative expenses.

³ Attributable to Cardinal Health, Inc.

⁴ For fiscal 2024 impairments and (gain)/loss on disposals of assets, net includes pre-tax goodwill impairment charges of \$675 million related to the GMPD segment. For fiscal 2024 the net tax benefit related to these charges was \$58 million and were included in the annual effective tax rate.

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

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



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

<u>(in millions)</u>	First Quarter	First Quarter
	2025	2024
GAAP - Cash Flow Categories		
Net cash provided by/(used in) operating activities	\$ (1,647)	\$ 528
Net cash used in investing activities	(88)	(63)
Net cash used in financing activities	(540)	(666)
Effect of exchange rates changes on cash and equivalents	9	(5)
Net decrease in cash and equivalents	<u>\$ (2,266)</u>	<u>\$ (206)</u>
Non-GAAP Adjusted Free Cash Flow		
Net cash provided by/(used in) operating activities	\$ (1,647)	\$ 528
Additions to property and equipment	(90)	(92)
Payments related to matters included in litigation (recoveries)/charges, net	376	542
Non-GAAP Adjusted Free Cash Flow	<u>\$ (1,361)</u>	<u>\$ 978</u>

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



Cardinal Health, Inc. and Subsidiaries

Segment Information

First Quarter

(in millions)	Pharmaceutical and Specialty Solutions		Global Medical Products and Distribution		Other	
	2025	2024	2025	2024	2025	2024
Revenue						
Amount	\$ 47,990	\$ 50,588	\$ 3,123	\$ 3,032	\$ 1,186	\$ 1,051
Growth rate	(5)%	11 %	3 %	(2)%	13 %	9 %
Segment profit						
Amount	\$ 530	\$ 456	\$ 8	\$ 12	\$ 104	\$ 96
Growth rate	16 %	14 %	N.M.	N.M.	8 %	(3)%
Segment profit margin	1.10%	0.90 %	0.26%	0.40 %	8.77%	9.13 %

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



Cardinal Health, Inc. and Subsidiaries

Forward Looking non-GAAP Measures

In this document, the Company presents certain forward-looking non-GAAP metrics. The Company does not provide outlook on a GAAP basis because the items that the Company excludes from GAAP to calculate the comparable non-GAAP measure can be dependent on future events that are less capable of being controlled or reliably predicted by management and are not part of the Company's routine operating activities. Additionally, management does not forecast many of the excluded items for internal use and therefore cannot create or rely on outlook done on a GAAP basis.

The occurrence, timing and amount of any of the items excluded from GAAP to calculate non-GAAP could significantly impact the Company's fiscal 2024 GAAP results. Over the past five fiscal years, the excluded items have impacted the Company's EPS from \$3.49 to \$18.06, which includes a \$17.54 charge related to the opioid litigation we recognized in fiscal 2020.



Cardinal Health, Inc. and Subsidiaries

Definitions

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

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

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

Segment Profit margin: segment profit divided by segment revenue.

Non-GAAP gross margin: gross margin, excluding LIFO charges/(credits).

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

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

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

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

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

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

Non-GAAP adjusted free cash flow: net cash provided by operating activities less payments related to additions to property and equipment, excluding settlement payments and receipts related to matters included in litigation (recoveries)/charges, net, as defined above, or other significant and unusual or non-recurring cash payments or receipts.



Definitions continued

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

² State opioid assessments related to prior fiscal years is the portion of state assessments for prescription opioid medications that were sold or distributed in periods prior to the period in which the expense is incurred. This portion is excluded

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

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

⁵ Amortization and other acquisition-related costs, which include transaction costs, integration costs, and changes in the fair value of contingent consideration obligations, are excluded because they are not part of the ongoing operations of our underlying business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results. Additionally, costs for amortization of acquisition-related intangible assets are non-cash amounts, which are variable in amount and frequency and are significantly impacted by the timing and size of acquisitions, so their exclusion facilitates comparison of historical, current and forecasted financial results. We also exclude other acquisition-related costs, which are directly related to an acquisition but do not meet the criteria to be recognized on the acquired entity's initial balance sheet as part of the purchase price allocation. These costs are also significantly impacted by the timing, complexity and size of acquisitions.

⁶ Impairments and gain or loss on disposal of assets, net are excluded because they do not occur in or reflect the ordinary course of our ongoing business operations and are inherently unpredictable in timing and amount, and in the case of impairments, are non-cash amounts, so their exclusion facilitates comparison of historical, current, and forecasted financial results.

⁷ Litigation recoveries or charges, net are excluded because they often relate to events that may have occurred in prior or multiple periods, do not occur in or reflect the ordinary course of our business and are inherently unpredictable in timing and amount.

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

The tax effect for each of the items listed above is determined using the tax rate and other tax attributes applicable to the item and the jurisdiction(s) in which the item is recorded. The gross, tax and net impact of each item are presented with our GAAP to non-GAAP reconciliations.

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

