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Cencora, Inc.
Fourth Quarter Fiscal 2023 Earnings Call

November 2, 2023

Cautionary Note Regarding Forward Looking Statements

Certain of the statements contained in this presentation are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Securities Exchange Act”). Words such as "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "might," "on track," "opportunity," "plan," "possible," "potential," "predict," "project," "seek," "should," "strive," "sustain," "synergy," "target," "will," "would" and similar expressions are intended to identify such forward-looking statements, but the absence of these words does not mean the statement is not forward-looking. These statements are based on management’s current expectations and are subject to uncertainty and changes in circumstances and speak only as of the date hereof. These statements are not guarantees of future performance and are based on assumptions and estimates that could prove incorrect or could cause actual results to vary materially from those indicated. A more detailed discussion of the risks and uncertainties that could cause our actual results to differ materially from those indicated is included (i) in the "Risk Factors" and "Management's Discussion and Analysis" sections in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2022 and elsewhere in that report as supplemented by the description of business risks described in Item 1A to our form 10-Q for the fiscal quarter ended March 31, 2023, to which mention is made herein and (ii) in other reports filed by the Company pursuant to the Securities Exchange Act. The Company undertakes no obligation to publicly update or revise any forward-looking statements, except as required by the federal securities laws.

GAAP / non-GAAP Reconciliation

In an effort to provide additional and useful information regarding Cencora’s financial results and other financial information as determined by generally accepted accounting principles (GAAP), certain materials presented during this event include non-GAAP information. A reconciliation of that information to GAAP and other related information is available in the supplemental material attached as an appendix to this presentation and posted on our website, investor.cencora.com.

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Cencora is united in our responsibility to create healthier futures.

Cencora creates unparalleled access, efficiency, and reliability for human and animal health as a leading provider of pharmaceutical distribution services and differentiated value-added solutions for upstream and downstream partners.



46,000+ team members

Diverse expertise focused on improving global health



150+

global offices

Delivering a range of services to address specific, local needs



Long-term vision of expanding leadership and growing higher-margin, high-growth businesses



Building on ESG strategy to live our purpose and create a better future for all stakeholders

Fiscal 2023 highlights & strategic overview

Business highlights

- Cencora completed its name change from AmerisourceBergen and began trading under the ticker symbol “COR” on the New York Stock Exchange on August 30, 2023.
- Good Neighbor Pharmacy, Cencora's national independent pharmacy network, convened nearly 5,000 independent pharmacy owners and other partners to celebrate its annual ThoughtSpot tradeshow and conference.

Financial highlights

$11.99
Adjusted(1) EPS

$3.1B
Adjusted(1) free cash flow

$1.2B
Share repurchases

$2.04
Announced fiscal 2024 annualized dividend per share; +5% y/y

Fiscal 2024 guidance

- Introduced fiscal 2024 guidance based on strong operational performance in both segments and a value-creating approach to capital deployment.
- Guidance does not expect a material contribution from exclusive COVID products beyond the fiscal 2024 first quarter.
- Fiscal 2024 guidance aligns with long-term guidance ranges provided at the June 2022 Investor Day.

(1) See tables and supplemental information at end of presentation for GAAP to non-GAAP reconciliations.

Note: For more information related to non-GAAP financial measures, refer to the section titled “Supplemental Information Regarding Non-GAAP Financial Measures” in the appendix to this presentation and posted on our website, investor.cencora.com.

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Financial results

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Q4 fiscal 2023 financial summary

12.7%
Revenue growth y/y

8.0%
Consolidated adjusted[(1)] operating income growth y/y

9.4%
U.S. Healthcare Solutions segment operating income growth y/y

3.1%
International Healthcare Solutions segment operating income growth y/y

$2.86
Adjusted[(1)] diluted EPS

$274M
Share repurchases

Consolidated results	GAAP	Adjusted (non-GAAP)[(1)]
Revenue *y/y%*	$68.9B *12.7%*	$68.9B *12.7%*
Gross profit *y/y%*	$2.3B *13.5%*	$2.3B *9.4%*
Operating expenses *y/y%*	$1.8B *16.0%*	$1.5B *10.2%*
Operating income *y/y%*	$477M *4.9%*	$801M *8.0%*
Interest expense, net *y/y%*	$61M *18.3%*	$61M *18.3%*
Effective tax rate	21.8%	21.6%
Net income attributable to Cencora *y/y%*	$351M *18.9%*	$581M *6.5%*
Diluted earnings per share *y/y%*	$1.72 *22.9%*	$2.86 *10.0%*
Diluted shares outstanding *y/y%*	203.4M *(3.1)%*	203.4M *(3.1)%*

(1) See tables at end of presentation for GAAP to non-GAAP reconciliations

Note: For more information related to non-GAAP financial measures, refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" in the appendix to this presentation and posted on our website, investor.cencora.com.

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U.S. Healthcare Solutions segment

Q4 fiscal 2023 financial results

Financial results	Q4 fiscal 2023	Q4 fiscal 2022	y/y%
Revenue	$61.9B	$54.8B	13.0%
Operating income	$633M	$578M	9.4%

Percentages of Revenue	Q4 fiscal 2023	Q4 fiscal 2022
Gross profit	2.38%	2.53%
Operating expenses	1.36%	1.47%
Operating income	1.02%	1.06%

- Revenue increased 13.0% to $61.9B due to overall market growth primarily driven by unit volume growth, including increased sales of products labeled for diabetes and/or weight loss in the GLP-1 class, which have lower profit margins, and increased sales of specialty products to physician practices and health systems.
- Operating income increased 9.4% to $633M as a result of an increase in gross profit, offset in part by an increase in operating expenses.

International Healthcare Solutions segment

Q4 fiscal 2023 financial results

Financial results (as reported)	Q4 fiscal 2023	Q4 fiscal 2022	y/y%	Constant currency[1] y/y%
Revenue	$7.0B	$6.4B	9.5%	10.1%
Operating income	$168M	$163M	3.1%	4.0%

Percentages of revenue (as reported)	Q4 fiscal 2023	Q4 fiscal 2022
Gross profit	11.84%	11.22%
Operating expenses	9.43%	8.67%
Operating income	2.40%	2.55%

- Revenue increased 9.5% to $7.0B on an as reported basis due to increased revenue across our businesses. On a constant currency basis, revenue increased 10.1%.
- Operating income increased 3.1% to $168M on an as reported basis due to growth at our global specialty logistics business and the January 2023 acquisition of PharmaLex, offset in part by a significant decline at the less-than-wholly-owned Alliance Healthcare subsidiary in Egypt. On a constant currency basis, operating income increased 4.0%.

(1) The financial results presented on a constant currency basis are non-GAAP financial measures. For more information related to non-GAAP financial measures, refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" in the appendix to this presentation and posted on our website, investor.cencora.com.

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Fiscal 2023 financial summary

9.9%
Revenue growth y/y

4.0%
Consolidated adjusted[(1)] operating income growth y/y

5.7%
U.S. Healthcare Solutions segment operating income growth y/y

(2.0)%
International Healthcare Solutions segment operating income decline y/y

7.0%
International Healthcare Solutions segment operating income constant currency[(1)] growth y/y

$11.99
Adjusted[(1)] diluted EPS

(1) See tables at end of presentation for GAAP to non-GAAP reconciliations
The financial results presented on a constant currency basis are non-GAAP financial measures. For more information related to non-GAAP financial measures, refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" in the appendix to this presentation and posted on our website, investor.cencora.com.

Consolidated results	GAAP	Adjusted (non-GAAP)[(1)]
Revenue *y/y%*	$262.2B *9.9%*	$262.2B *9.9%*
Gross profit *y/y%*	$9.0B *8.0%*	$9.0B *7.3%*
Operating expenses *y/y%*	$6.6B *11.6%*	$5.7B *9.2%*
Operating income *y/y%*	$2.3B *(1.1)%*	$3.3B *4.0%*
Interest expense, net *y/y%*	$229M *8.7%*	$229M *8.7%*
Effective tax rate	19.8%	20.3%
Net income attributable to Cencora *y/y%*	$1.7B *2.7%*	$2.5B *5.3%*
Diluted earnings per share *y/y%*	$8.53 *6.1%*	$11.99 *8.7%*
Diluted shares outstanding *y/y%*	204.6M *(3.1)%*	204.6M *(3.1)%*

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Fiscal 2024 guidance

Fiscal 2024 guidance

	As reported	Constant currency [1]	As reported ex. COVID-19	Constant currency ex. COVID-19 [1]
Consolidated				
Revenue	7% to 10%	7% to 10%		
Adjusted operating income[1]	4% to 6%	5% to 7%	7% to 9%	8% to 10%
U.S. Healthcare Solutions				
Revenue	7% to 10%			
Adjusted operating income[1]	4% to 7%		7% to 10%	
International Healthcare Solutions				
Revenue	4% to 8%	7% to 11%		
Adjusted operating income[1]	1% to 4%	5% to 8%	3% to 6%	7% to 10%

[1]The Company does not provide forward-looking guidance on a GAAP basis as certain information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated. Please refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" in the appendix to this presentation

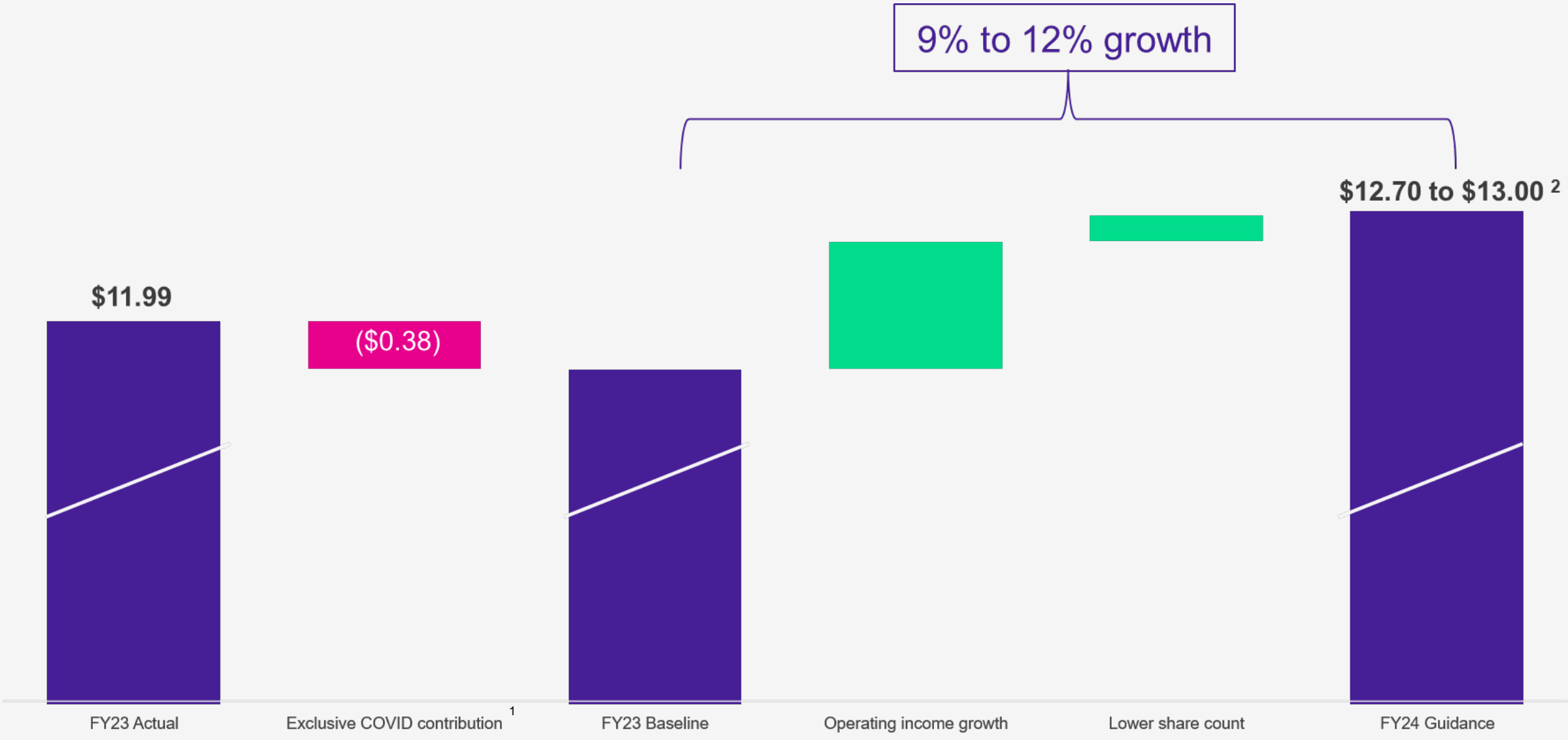
Note: The financial results presented on a constant currency basis are non-GAAP financial measures. For more information related to non-GAAP financial measures, refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" in the appendix to this presentation

Fiscal 2024 guidance continued

	Fiscal 2024 Guidance	Fiscal 2023 Actual
Adjusted diluted earnings per share[(1)]	$12.70 to $13.00	$11.99
Interest expense	$210 to $230 million	$229 million
Adjusted effective tax rate [(1)]	20% to 21%	20.3%
Diluted weighted average shares outstanding	200 to 202 million	204.6 million
Adjusted free cash flow [(1)]	~$2.5 billion	$3.1 billion
Capital expenditures	~$500 million	$458 million

[1]The Company does not provide forward-looking guidance on a GAAP basis as certain information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated. Please refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" in the appendix to this presentation
Note: For more information related to non-GAAP financial measures, refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" in the appendix to this presentation

Strong adjusted diluted EPS Growth



[1]Reflects exclusive COVID-19 product distribution in fiscal 2023
[2]Range incorporates estimated 2 to 10 cents of contribution related to exclusive COVID-19 product distribution in FY24

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Advancing environmental, social, and governance initiatives to create healthier futures around the world

Environmental

Adapting to a changing climate

- Near-term Science-Based Target validated by the Science Based Target initiative
- Robust disaster preparedness plans and climate risk assessments in place to ensure supply chain resiliency with nearly 400 locations assessed across 24 countries
- Began global renewable energy assessment to evaluate renewable energy options to expand renewable energy portfolio

Social

Investing in our people and communities

- Launched a Global Inclusion Index to measure inclusion across the enterprise
- Enhanced benefits offering to support team members including with additional healthcare benefit offerings and enhanced paid family leave policies
- Cencora and the Cencora Impact Foundation formed partnerships and contributed more than $14.5 million in financial contributions and product donations to community-based organizations and non-profits over the course of fiscal 2022

Governance

Embracing a culture of transparency, ethics, and integrity

- Published 7th ESG report, aligned with GRI, SASB, TCFD, UN SDGs, and WEF Stakeholder Capitalism Metrics select metrics were externally assured
- Board oversight of ESG strategy, which is embedded in business
- Established ESG executive compensation metric for fiscal 2023
- Chief Financial Officer and Chief Communications & Administration Officer serve as executive sponsors of company's Global ESG Impact Council

Creating differentiated value for our stakeholders

Our long-term, sustainable growth is supported by investments in our people and culture and commitment to ESG

Why we exist

We are united in our responsibility to create healthier futures

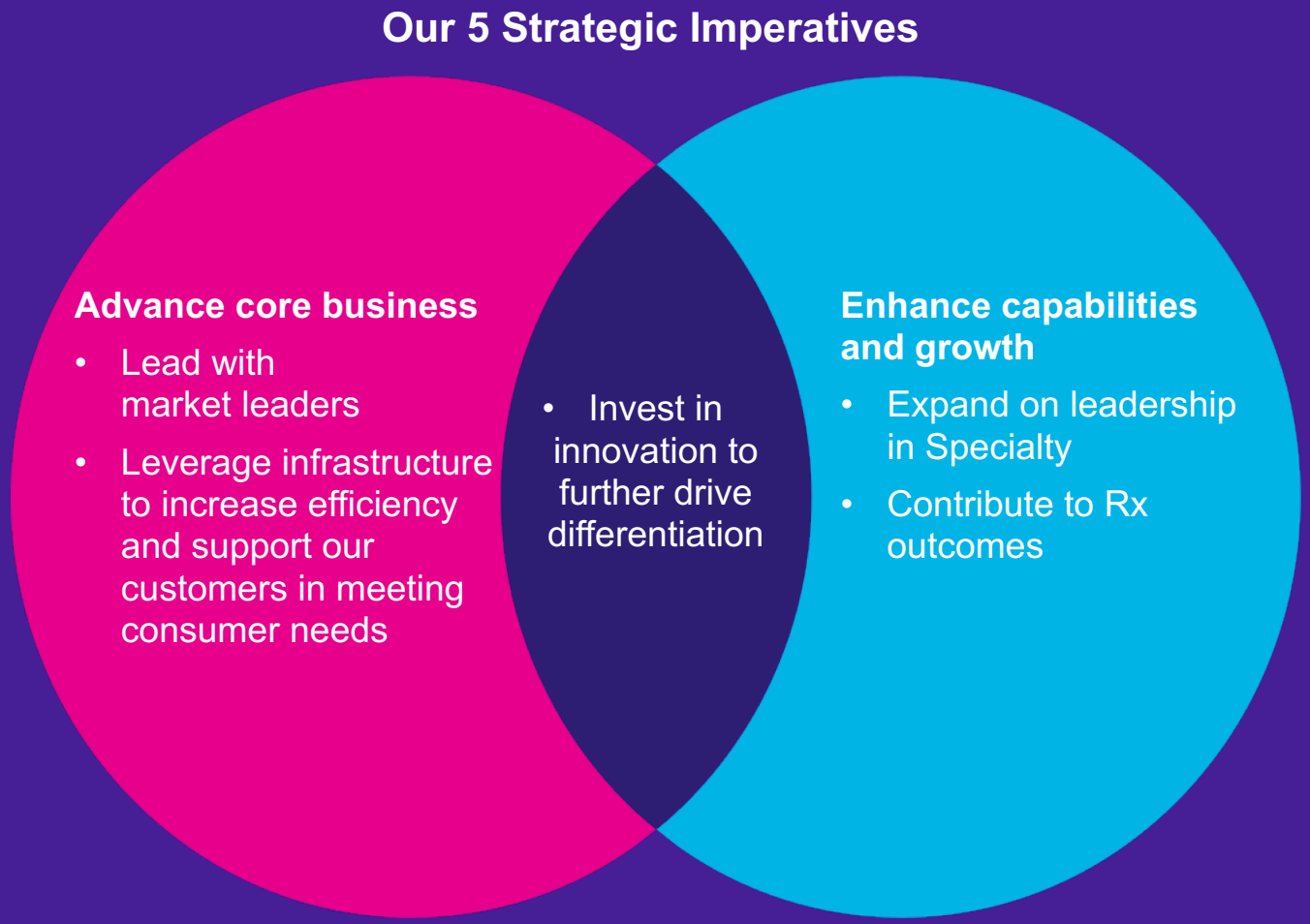
Our areas of focus

Specialty medicine and services

Community providers

Customer partnerships

Global access and opportunity



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Appendix

CENCORA, INC.
GAAP TO NON-GAAP RECONCILIATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30, 2023							
	Gross Profit	Operating Expenses	Operating Income	Income Before Income Taxes	Income Tax Expense	Net Income Attributable to Noncontrolling Interests	Net Income Attributable to Cencora	Diluted Earnings Per Share
GAAP	$ 2,253,452	$ 1,776,511	$ 476,941	$ 446,423	$ 97,443	$ 1,585	$ 350,565	$ 1.72
Gains from antitrust litigation settlements	(70,582)	—	(70,582)	(70,582)	(16,719)	—	(53,863)	(0.26)
LIFO expense	90,323	—	90,323	90,323	21,264	—	69,056	0.34
Turkey highly inflationary impact	27,948	—	27,948	29,916	—	—	29,916	0.15
Acquisition-related intangibles amortization	—	(169,900)	169,900	169,900	40,214	(968)	128,718	0.63
Litigation and opioid-related expenses, net	—	(13,890)	13,890	13,890	3,305	—	10,585	0.05
Acquisition-related deal and integration expenses	—	(40,291)	40,291	40,291	9,548	—	30,743	0.15
Restructuring and other expenses	—	(52,276)	52,276	52,276	12,452	—	39,824	0.20
Gain on divestiture of non-core businesses	—	—	—	(40,665)	1,035	—	(41,700)	(0.21)
Other, net	—	—	—	4,310	781	—	3,529	0.02
Tax reform [1]	—	—	—	4,824	(8,931)	—	13,755	0.07
Adjusted Non-GAAP	$ 2,301,141	$ 1,500,154	$ 800,987	$ 740,906	$ 160,392	$ 617	$ 581,131	$ 2.86
Adjusted Non-GAAP % change vs. prior year quarter	9.4%	10.2%	8.0%	8.6%	18.7%		6.5%	10.0%

Percentages of Revenue:	GAAP	Adjusted Non-GAAP
Gross profit	3.27%	3.34%
Operating expenses	2.58%	2.18%
Operating income	0.69%	1.16%

[1] Includes tax expense relating to 2020 Swiss tax reform and a gain on the currency remeasurement of the related deferred tax assets, the latter of which is recorded within Other (Income) Loss, Net.

Note: For more information related to non-GAAP financial measures, refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" of this release.

CENCORA, INC.
GAAP TO NON-GAAP RECONCILIATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30, 2022							
	Gross Profit	Operating Expenses	Operating Income	Income Before Income Taxes	Income Tax Expense	Net Income Attributable to Noncontrolling Interests	Net Income Attributable to Cencora	Diluted Earnings Per Share
GAAP	$ 1,985,559	$ 1,531,040	$ 454,519	$ 382,340	$ 83,664	$ (3,939)	$ 294,737	$ 1.40
Gains from antitrust litigation settlements	—	—	—	—	79	—	(79)	—
LIFO expense	104,839	—	104,839	104,839	24,943	—	79,896	0.38
Turkey highly inflationary impact	12,415	—	12,415	18,543	—	—	18,543	0.09
Acquisition-related intangibles amortization	—	(72,685)	72,685	72,685	6,194	(1,127)	65,364	0.31
Litigation and opioid-related expenses	—	(15,024)	15,024	15,024	5,106	—	9,918	0.05
Acquisition-related deal and integration expenses	—	(49,851)	49,851	49,851	4,894	—	44,957	0.21
Restructuring and other expenses	—	(32,141)	32,141	32,141	4,104	—	28,037	0.13
Gain on remeasurement of equity investment	—	—	—	(4,834)	—	—	(4,834)	(0.02)
Loss on divestiture of non-core businesses	—	—	—	3,745	2,821	3,618	4,542	0.02
Certain discrete tax benefits	—	—	—	—	9,302	—	(9,302)	(0.04)
Tax reform [1]	—	—	—	8,127	(5,951)	—	14,078	0.07
Adjusted Non-GAAP	$ 2,102,813	$ 1,361,339	$ 741,474	$ 682,461	$ 135,156	$ (1,448)	$ 545,857	$ 2.60

Percentages of Revenue:	GAAP	Adjusted Non-GAAP
Gross profit	3.25%	3.44%
Operating expenses	2.50%	2.23%
Operating income	0.74%	1.21%

[1] Includes tax expense relating to Swiss tax reform and a loss on the currency remeasurement of the related deferred tax assets, the latter of which is recorded within Other (Income) Loss, Net.

Note: For more information related to non-GAAP financial measures, refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" of this release.

CENCORA, INC.
GAAP TO NON-GAAP RECONCILIATIONS
(in thousands, except per share data)
(unaudited)

	Fiscal Year Ended September 30, 2023							
	Gross Profit	Operating Expenses	Operating Income	Income Before Income Taxes	Income Tax Expense	Net Loss Attributable to Noncontrolling Interests	Net Income Attributable to Cencora	Diluted Earnings Per Share
GAAP	$ 8,959,493	$ 6,618,762	$ 2,340,731	$ 2,160,836	$ 428,260	$ 12,717	$ 1,745,293	$ 8.53
Gains from antitrust litigation settlements	(239,092)	—	(239,092)	(239,092)	(55,894)	—	(183,198)	(0.90)
LIFO expense	204,595	—	204,595	204,595	47,830	—	156,765	0.77
Turkey highly inflationary impact	86,967	—	86,967	95,938	—	—	95,938	0.47
Acquisition-related intangibles amortization	—	(551,046)	551,046	551,046	128,823	(4,079)	418,144	2.04
Litigation and opioid-related credit, net [1]	—	24,693	(24,693)	(24,693)	13,717	—	(38,410)	(0.19)
Acquisition-related deal and integration expenses	—	(139,683)	139,683	139,683	32,655	—	107,028	0.52
Restructuring and other expenses	—	(229,884)	229,884	229,884	53,742	—	176,142	0.86
Gain on divestiture of non-core businesses	—	—	—	(40,665)	1,035	—	(41,700)	(0.20)
Other, net	—	—	—	(5,501)	781	—	(6,282)	(0.03)
Tax reform [2]	—	—	—	(6,638)	(29,287)	—	22,649	0.11
Adjusted Non-GAAP	$ 9,011,963	$ 5,722,842	$ 3,289,121	$ 3,065,393	$ 621,662	$ 8,638	$ 2,452,369	$ 11.99 [3]
Adjusted Non-GAAP % change vs. prior year	7.3%	9.2%	4.0%	4.1%	2.5%		5.3%	8.7%

Percentages of Revenue:	GAAP	Adjusted Non-GAAP
Gross profit	3.42%	3.44%
Operating expenses	2.52%	2.18%
Operating income	0.89%	1.25%

[1] Includes the receipt of $83.4 million from the H.D. Smith opioid litigation indemnity escrow.
[2] Tax expense relating to 2020 Swiss tax reform and a gain on the currency remeasurement of the related deferred tax assets, the latter of which is recorded within Other Income, Net.
[3] The sum of the components does not equal the total due to rounding.

Note: For more information related to non-GAAP financial measures, refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" of press release.

CENCORA, INC.
GAAP TO NON-GAAP RECONCILIATIONS
(in thousands, except per share data)
(unaudited)

	Fiscal Year Ended September 30, 2022							
	Gross Profit	Operating Expenses	Operating Income	Income Before Income Taxes	Income Tax Expense	Net Income Attributable to Noncontrolling Interests	Net Income Attributable to Cencora	Diluted Earnings Per Share
GAAP	$ 8,296,367	$ 5,929,989	$ 2,366,378	$ 2,183,057	$ 516,517	$ 32,280	$ 1,698,820	$ 8.04
Gains from antitrust litigation settlements	(1,835)	—	(1,835)	(1,835)	(408)	—	(1,427)	(0.01)
Turkey highly inflationary impact	40,033	—	40,033	51,966	—	—	51,966	0.25
LIFO expense	67,171	—	67,171	67,171	14,943	—	52,228	0.25
Acquisition-related intangibles amortization	—	(304,551)	304,551	304,551	67,749	(5,219)	231,583	1.10
Litigation and opioid-related expenses	—	(123,191)	123,191	123,191	24,111	—	99,080	0.47
Acquisition-related deal and integration expenses	—	(119,561)	119,561	119,561	23,401	—	96,160	0.46
Restructuring and other expenses	—	(63,498)	63,498	63,498	12,428	—	51,070	0.24
Gain on remeasurement of equity investment	—	—	—	(4,834)	—	—	(4,834)	(0.02)
Goodwill impairment	—	(75,936)	75,936	75,936	—	(47,004)	28,932	0.14
Impairment of assets	—	(4,946)	4,946	4,946	—	—	4,946	0.02
Gain on sale of non-core business	—	—	—	(56,228)	(10,372)	3,618	(42,238)	(0.20)
Certain discrete tax benefits	—	—	—	—	(9,677)	6,840,000	16,517	0.08
Tax reform [1]	—	—	—	14,443	(32,109)	—	46,552	0.22
Adjusted Non-GAAP	$ 8,401,736	$ 5,238,306	$ 3,163,430	$ 2,945,423	$ 606,583	$ (9,485)	$ 2,329,355	$ 11.03 [2]

Percentages of Revenue:	GAAP	Adjusted Non-GAAP
Gross profit	3.48%	3.52%
Operating expenses	2.49%	2.20%
Operating income	0.99%	1.33%

[1] Includes tax expense relating to Swiss tax reform and a loss on the currency remeasurement of the related deferred tax assets, the latter of which is recorded within Other Income, Net.
[2] The sum of the components does not equal the total due to rounding

Note: For more information related to non-GAAP financial measures, refer to the section titled "Supplemental Information Regarding Non-GAAP Financial Measures" of earnings press release.

Supplemental information regarding non-GAAP financial measures

To supplement the financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), the Company uses the non-GAAP financial measures described below. The non-GAAP financial measures should be viewed in addition to, and not in lieu of, financial measures calculated in accordance with GAAP. These supplemental measures may vary from, and may not be comparable to, similarly titled measures by other companies.

The non-GAAP financial measures are presented because management uses non-GAAP financial measures to evaluate the Company's operating performance, to perform financial planning, and to determine incentive compensation. Therefore, the Company believes that the presentation of non-GAAP financial measures provides useful supplementary information to, and facilitates additional analysis by, investors. The presented non-GAAP financial measures exclude items that management does not believe reflect the Company's core operating performance because such items are outside the control of the Company or are inherently unusual, non-operating, unpredictable, non-recurring, or non-cash. We have included the following non-GAAP earnings-related financial measures in this release::

Adjusted gross profit and adjusted gross profit margin: Adjusted gross profit is a non-GAAP financial measure that excludes gains from antitrust litigation settlements, Turkey highly inflationary impact and LIFO expense (credit). Adjusted gross profit margin is the ratio of adjusted gross profit to total revenue. Management believes that these non-GAAP financial measures are useful to investors as a supplemental measure of the Company's ongoing operating performance. Gains from antitrust litigation settlements, Turkey highly inflationary impact and LIFO expense (credit) are excluded because the Company cannot control the amounts recognized or timing of these items. Gains from antitrust litigation settlements relate to the settlement of lawsuits that have been filed against brand pharmaceutical manufacturers alleging that the manufacturer, by itself or in concert with others, took improper actions to delay or prevent generic drugs from entering the market. LIFO expense (credit) is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences.

- Adjusted operating expenses and adjusted operating expense margin: Adjusted operating expenses is a non-GAAP financial measure that excludes acquisition-related intangibles amortization; litigation and opioid-related expenses (credit); acquisition-related deal and integration expenses; restructuring and other expenses; impairment of assets; and goodwill impairment. Adjusted operating expense margin is the ratio of adjusted operating expenses to total revenue. Acquisition-related intangibles amortization is excluded because it is a non-cash item and does not reflect the operating performance of the acquired companies. We exclude acquisition-related deal and integration expenses and restructuring and other expenses that relate to unpredictable and/or non-recurring business activities. We exclude the amount of litigation and opioid-related expenses (credit), and the impairment of assets, including goodwill, that are unusual, non-operating, unpredictable, non-recurring or non-cash in nature because we believe these exclusions facilitate the analysis of our ongoing operational performance.

- Adjusted operating income and adjusted operating income margin: Adjusted operating income is a non-GAAP financial measure that excludes the same items that are described above and excluded from adjusted gross profit and adjusted operating expenses. Adjusted operating income margin is the ratio of adjusted operating income to total revenue. Management believes that these non-GAAP financial measures are useful to investors as a supplemental way to evaluate the Company's performance because the adjustments are unusual, non-operating, unpredictable, non-recurring or non-cash in nature.

- Adjusted income before income taxes: Adjusted income before income taxes is a non-GAAP financial measure that excludes the same items that are described above and excluded from adjusted operating income. In addition, the gain (loss) on the currency remeasurement of the deferred tax asset relating to 2020 Swiss tax reform, the gain on the sale of non-core businesses, and the gain on the remeasurement of an equity investment are excluded from adjusted income before income taxes because these amounts are unusual, non-operating, and/or non-recurring. Management believes that this non-GAAP financial measure is useful to investors because it facilitates the calculation of the Company's adjusted effective tax rate.

- Adjusted effective tax rate: Adjusted effective tax rate is a non-GAAP financial measure that is determined by dividing adjusted income tax expense by adjusted income before income taxes. Management believes that this non-GAAP financial measure is useful to investors because it presents an effective tax rate that does not reflect unusual, non-operating, unpredictable, non-recurring, or non-cash amounts or items that are outside the control of the Company.

- Adjusted income tax expense: Adjusted income tax expense is a non-GAAP financial measure that excludes the income tax expense associated with the same items that are described above and excluded from adjusted income before income taxes. Certain discrete tax benefits primarily attributable to foreign valuation allowance adjustments are also excluded from adjusted income tax expense. Further, certain expenses relating 2020 Swiss tax reform are excluded from adjusted income tax expense. Management believes that this non-GAAP financial measure is useful to investors as a supplemental way to evaluate the Company's performance because the adjustments are unusual, non-operating, unpredictable, non-recurring or non-cash in nature.

Supplemental information regarding non-GAAP financial measures (cont.)

- Adjusted net income/loss attributable to noncontrolling interest: Adjusted net income/loss attributable to noncontrolling interest excludes the non-controlling interest portion of the same items described above. Management believes that this non-GAAP financial measure is useful to investors because it facilitates the calculation of adjusted net income attributable to the Company.

- Adjusted net income attributable to the Company: Adjusted net income attributable to the Company is a non-GAAP financial measure that excludes the same items that are described above. Management believes that this non-GAAP financial measure is useful to investors as a supplemental way to evaluate the Company's performance because the adjustments are unusual, non-operating, unpredictable, non-recurring or non-cash in nature.

- Adjusted diluted earnings per share: Adjusted diluted earnings per share excludes the per share impact of adjustments including gains from antitrust litigation settlements; Turkey highly inflationary impact; LIFO expense (credit); acquisition-related intangibles amortization; litigation and opioid expenses (credit); acquisition-related deal and integration expenses; restructuring and other expenses; impairment of assets, including goodwill; the gain on the sale of non-core businesses; the gain (loss) on the currency remeasurement related to 2020 Swiss tax reform; and the gain on the remeasurement of an equity investment, in each case net of the tax effect calculated using the applicable effective tax rate for those items. In addition, the per share impact of certain discrete tax expense primarily attributable to foreign valuation adjustment allowance, and the per share impact of certain expenses related to 2020 Swiss tax reform are also excluded from adjusted diluted earnings per share. Management believes that this non-GAAP financial measure is useful to investors because it eliminates the per share impact of the items that are outside the control of the Company or that we consider to not be indicative of our ongoing operating performance due to their inherent unusual, non-operating, unpredictable, non-recurring, or non-cash nature.

- Adjusted Free Cash Flow: Adjusted free cash flow is a non-GAAP financial measure defined as net cash provided by operating activities, excluding significant unpredictable or non-recurring cash payments or receipts relating to legal settlements, minus capital expenditures. Adjusted free cash flow is used internally by management for measuring operating cash flow generation and setting performance targets and has historically been used as one of the means of providing guidance on possible future cash flows. For the fiscal year ended September 30, 2023, adjusted free cash flow of $3,130.5 million consisted of net cash provided by operating activities of $3,911.3 million, minus capital expenditures of $458.4 million, the gains from antitrust litigation settlements of $239.1 million, and the receipt of $83.4 million from the H.D. Smith opioid indemnity escrow. The Company does not provide forward looking guidance on a GAAP basis for free cash flow because the timing and amount of favorable and unfavorable settlements excluded from this metric, the probable significance of which cannot be determined, are unavailable and cannot be reasonably estimated.

The Company also presents revenue and operating income on a “constant currency” basis, which are non-GAAP financial measures. These amounts are calculated by translating current period GAAP results at the foreign currency exchange rates used in the comparable period in the prior year. The Company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and management believes that this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations. For the fourth quarter of fiscal 2023, (i) revenue of $68.9 billion was negatively impacted by foreign currency translation of $37.6 million, resulting in revenue on a constant currency basis of $69.0 billion, and (ii) operating income of $801.0 million was negatively impacted by foreign currency translation of $1.5 million, resulting in operating income on a constant currency basis of $802.5 million. For the fourth quarter of fiscal 2023 in the International Healthcare Solutions segment, (i) revenue of $6,994.7 million was negatively impacted by foreign currency translation of $37.6 million, resulting in revenue on a constant currency basis of $7,032.3 million, and (ii) operating income of $168.2 million was negatively impacted by foreign currency translation of $1.5 million, resulting in operating income on a constant currency basis of $169.6 million. For fiscal 2023, (i) revenue of $262.2 billion was negatively impacted by foreign currency translation of $2.4 billion, resulting in revenue on a constant currency basis of $264.5 billion, and (ii) operating income of $3,289.1 million was negatively impacted by foreign currency translation of $63.0 million, resulting in operating income on a constant currency basis of $3,352.1 million. For fiscal 2023 in the International Healthcare Solutions segment, (i) revenue of $27.4 billion was negatively impacted by foreign currency translation of $2.4 billion, resulting in revenue on a constant currency basis of $29.8 billion, and (ii) operating income of $692.6 million was negatively impacted by foreign currency translation of $63.0 million, resulting in operating income on a constant currency basis of $755.6 million.

In addition, the Company has provided non-GAAP fiscal year 2024 guidance for diluted earnings per share, operating income, effective income tax rate and free cash flow that excludes the same or similar items as those that are excluded from the historical non-GAAP financial measures, as well as significant items that are outside the control of the Company or inherently unusual, non-operating, unpredictable, non-recurring or non-cash in nature. The Company does not provide forward looking guidance on a GAAP basis for such metrics because certain financial information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated. For example, LIFO expense/credit is largely dependent upon the future inflation or deflation of brand and generic pharmaceuticals, which is out of the Company’s control, and acquisition-related intangibles amortization depends on the timing and amount of future acquisitions, which cannot be reasonably estimated. Similarly, the timing and amount of favorable and unfavorable settlements, the probable significance of which cannot be determined, are unavailable and cannot be reasonably estimated.

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