

FINAL TRANSCRIPT

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CAH - Cardinal Health, Inc. Conference Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Cardinal Health, Incorporated, conference call. My name is Shaquana and I will be your coordinator for today. At this time all participants are in a listen-only mode. We will facilitate a question-and-answer session towards the end of this conference. (Operator Instructions)

I would now like to turn the presentation over to your host for today's call Ms. Sally Curley, Senior Vice President of Investor Relations. Please proceed, ma'am.

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Sally Curley - Cardinal Health, Inc. - SVP IR

Thank you, Shaquana, and welcome to those joining us on the call today. We wanted to make sure that you were aware that there is actually an investor slide set posted on our website at www.CardinalHealth.com, which will include some additional information; and you can reference that during the call.

Also, today we will be making forward-looking statements addressing the planned spinoff of Cardinal Health's Clinical and Medical Products businesses as a separate company, and other matters that are dependent upon future events or developments. The matters addressed in these statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected or implied. Please refer to the forward-looking statement slide at the beginning of the presentation posted on our website and our SEC filings for a description of those risks and uncertainties.

In addition we will reference non-GAAP financial measures, and information about these measures is included at the end of the slides, again present on our website. A transcript of today's call will also be posted on our investor webpage a couple of hours post the call.

Now I would like to turn the call over to Cardinal Health's Chairman and CEO, Mr. Kerry Clark.

Kerry Clark - Cardinal Health, Inc. - Chairman, CEO

Thank you, Sally. Good morning everyone, and welcome to today's call. As you will recall we recently announced that we were considering spinning off our Clinical and Medical Products business. After a disciplined review involving our Board of Directors, our executive leadership team, and experienced external advisors, Cardinal Health management and the Board have unanimously decided to move forward with the spinoff. We expect this to occur sometime in the middle of calendar year '09.

We are choosing to do this for several reasons. First, our Healthcare Supply Chain Services businesses and our Clinical and Medical Products businesses are very different, especially when you consider the products, the customer channels, and the geographic footprint of each business. As a result we believe this move will sharpen our strategic focus especially since each business requires different strategies and skill sets as well as unique R&D, IT, and capital investments.

Second, Clinical and Medical Products has matured and can stand on its own as a publicly traded company. Through organic growth and strategic acquisitions this business has become a sizable global enterprise with a strong management team.

Third, we believe this approach will deliver the maximum value to our customers and shareholders over time, through more focused management that is closer to its customers. At the same time we believe any dis-synergies and one-time costs will be manageable.

For a perspective, on a pro forma basis we expect to see Cardinal Health with fiscal-year '09 revenues adjusted for the spinoff of greater than \$90 billion, and spin-co pro forma fiscal-year '09 revenues adjusted for the spinoff of greater than \$4 billion.

As we go forward from today I plan to lead the effort to complete the spinoff; and then George Barrett will succeed me as Chairman and CEO of Cardinal Health with Jeff Henderson continuing as CFO. David Schlotterbeck will lead the new company, along with Chief Operating Officer Dwight Winstead. We are currently conducting a search for the CMP's CFO and will name that individual in time.

I have a great deal of confidence in the leaders of these future companies. Both Dave and George have extensive experience as CEOs in the healthcare industry and in their respective segments. These are the right leaders for the future of these businesses.

George, Dave, and Jeff are in the room with me here, and after a few comments from each of them we will be happy to take questions. I would like now to ask Jeff to make a few words.

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Jeff Henderson - Cardinal Health, Inc. - CFO

Thanks, Kerry. Today I'm going to briefly review our process for arriving at this important decision and some related matters. From a process standpoint, as Kerry mentioned we took a disciplined approach involving executive leadership at Cardinal, our Board, and external advisers. We created a management steering committee to lead the due diligence process and ensure that all key issues were addressed. We kept our Board of Directors well informed throughout the process.

As we did this we also worked closely with several key outside advisers experienced in these matters. This solid work led to today's announcement of a unanimous Board decision.

Clearly the key part of this process was the determination of just which businesses each of the two companies would contain. To determine that, there are a number of key factors that were considered. As a starting point we had the two primary operating and reporting segments which already comprise Cardinal Health. A lot of effort and logic had already gone into establishing those segments, so they were an obvious grouping from which to begin.

Secondly, we considered which businesses fit best from a strategic, operational, and customer-facing go-to-market standpoint. Finally the cost to separate and any ongoing synergies or dis-synergies were also an important consideration.

So let me summarize where we ended up in broadbrush terms, recognizing that there could be some very minor tweaks to this as we go about our preparations for the spin in the coming months.

Essentially, Cardinal Health post-spin includes the current HSCS and all other segments, as well as a few businesses that are moving over from CMP, which are fluid management, gloves, and a business we call converters, which include surgical drapes and apparel.

The new spin-co company largely consists of the businesses that are in our current CMP segment, excluding the three businesses shifting over to Cardinal Health that I just referenced. There is a slide included in the deck posted on our website which outlines this in greater detail.

Before I go any further, I do want to take a moment to comment on why we believe on balance that fluid management, gloves, and converters, along with our continuing Cardinal Health business specifically within the Healthcare Products and Services group to be led by Mike Lynch. There are really two core reasons.

The first is that within certain select areas of our med surg distribution portfolio it is value creating to vertically integrate where both our distribution business and manufacturing have the leading positions with clinically relevant products. The second is that we want to align our portfolio with the interest of our acute-care customers. Imaging and the operating room are two key areas of profitability for hospitals. We already have a strong position in imaging through our nuclear pharmacy franchise. By bringing these infection prevention products into Cardinal distribution, we are also becoming a leading supplier of operating room disposables.

We will continue these types of alignments where our scale can offer more comprehensive and better valued solutions by our acute-care customers. For your reference, the businesses moving out of CMP account for approximately \$800 million to \$1 billion in revenues and are expected to be accretive to the new Cardinal Health post-spin on a margin percentage basis.

So let me summarize our discussion on the location of the businesses by stating that after the spin occurs we expect to have two sizable companies in operation. On a pro forma basis we expect to see Cardinal Health with FY '09 revenues adjusted for the spinoff of greater than \$90 billion, and spin-co pro forma FY '09 revenues adjusted for the spinoff of greater than \$4 billion.

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On a different subject we thought it would be helpful to walk you through the process during the coming months that will lead us to what we anticipate as a spinoff completion somewhere around the middle of calendar 2009. A great deal of time and effort will be dedicated to filing a Form 10 registration statement for CMP, likely sometime in Q3 of FY '09. It is at this time you will see historical financials for spin-co. This is the document that the SEC will review and declare effective when its review is complete.

I should mention that the Form 10 only contains the financials for spin-co. Separately we will be preparing Cardinal Health historical financial statements adjusted for the spinoff, which we anticipate to be available toward the middle of calendar 2009.

In parallel we will be preparing the required materials to seek a private letter ruling from the IRS and opinions from outside counsel of a tax-free nature of the transaction. We will also be working to complete various separation and related agreements. In this regard we do anticipate in some areas that spin-co and Cardinal Health post-spin will have transition service agreements and other arm's-length agreements related to distribution of certain products or product lines.

Now assuming these first three items proceed as planned, it is anticipated that the Board will then be in a position to declare a pro rata distribution of CMP's stock to Cardinal Health shareholders and set the record date, payment date, and distribution ratio. After Board approval, an information statement will then be mailed to Cardinal Health shareholders. Finally, shareholders as of the record date would receive this distribution of CMP stock.

Now please keep in mind that this process will take some time due to several factors, including our significant acquisition history, the complexity of the reorganization steps required, and the process of completing the financials in the form necessary for the Form 10 filing.

I would like to now make a few comments on the capital deployment and capital structures of both companies. For Cardinal Health pre-spinoff, we plan to repurchase shares to no more than offset dilution from issuances related to compensation. We also plan to continue our regular \$0.14 per share quarterly dividend until the spinoff is complete. For Cardinal Health post-spinoff we anticipate that we will have a balance sheet, financial policies, and credit metrics commensurate with investment-grade credit ratings, and we anticipate continuing to pay a dividend.

For the new company or spin-co we also anticipate that we will have a balance sheet, financial policies, and credit metrics also commensurate with investment-grade credit ratings. We do not anticipate that spin-co will pay dividends but instead will reinvest significant dollars in R&D and key growth initiatives as is typical of high-growth medical device companies.

Finally, to preempt some questions that you may have, we do expect to incur certain one-time expenses and charges related to this transaction. We anticipate that a substantial portion of these will be allocated to special items in accordance with the Company's financial policies. It is premature to comment on the size of the charges at this moment, but we will provide that information at the appropriate time.

In conclusion I feel very good about the process we have undertaken to date and our readiness to conduct the necessary steps going forward to execute the spin over the coming quarters. At the same time we have and will continue to work hard to maintain our focus this year to accomplish our operational and financial goals.

I would also like to say from a personal standpoint that I very proud and enthused to be staying with Cardinal Health and very excited about the prospects for our future. We look forward to reporting to you our timing of progress throughout the year, and I look forward to working with Kerry to execute the spinoff, and with George now and beyond that. I'll turn it over now to George.

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George Barrett - Cardinal Health, Inc. - Vice Chairman, CEO of HSCS

Thanks, Jeff. Good morning, everyone. I think it is safe to say that my first nine months at Cardinal have not been short on excitement. Let me start by saying that I am very excited for Dave and his superb organization. They have great things in front of them.

Let me also take a moment to thank Kerry for his leadership during a most critical time in Cardinal's evolution. I appreciate his support and his friendship and look forward to working with him as we move forward toward completing the spinoff. And let me say that I am truly excited about the future for a new Cardinal Health.

Many of you have heard me say during my time at Cardinal that we have needed to work through some significant challenges. The fact that we are spinning off our med tech businesses does not suddenly relieve us of the important task of upgrading the performance of our business. But I can say this -- we are clear on what we have to do; we have the team to do it; and with today's announcement I believe it will be easier for us to drive our increasingly focused business, centered around our customers and around a clear purpose. Simply said, through customer-focused supply chain solutions and innovative products and services we believe that we can improve the productivity, the quality, and the efficiency of healthcare.

Kerry gave you a snapshot of our size and scale, but beyond this our footprint will be both broad and deep. We have a leading position in the retail pharmacy world, and we also reach across and deeply into acute-care institutions, surgical centers, doctors' offices, and laboratories.

Our value goes beyond the products we distribute. We offer services that allow doctors, nurses, and pharmacists to focus on their patients and deliver care. An example of this would be our presence in the operating room, where we not only manufacture and sell custom surgical kits, surgical gloves, and tools that help manage fluid control and safety, but we also provide support services that help operating rooms function more productively and more safely.

We will organize the new Cardinal Health around two core operating groups, one led by Mike Kaufmann that will focus on pharmaceutical and specialty pharma distribution, and the other led by Mike Lynch who joins us from our Clinical and Medical Products organization. That will include our medical surgical products and services business serving acute care, sub-acute care, ambulatory care, and laboratories.

Many of you know Mike Kaufmann, who was appointed to lead our pharmaceutical supply chain business in March. He has spent the majority of his 17-year career with the Company in senior operational, sales, and finance roles within pharmaceutical distribution.

Many of you know Mike Lynch as well, who has been instrumental in growing our infection prevention portfolio, among other things. Mike has almost 25 years of healthcare experience in global sales and marketing, operations, and strategy.

Along with the two Mikes, Jeff Henderson and many others who I cannot introduce on this call -- all of us are working on our top priorities. First, focusing on flawless execution. We will drive this. We will invest in it, particularly, as we've told you, in IT. And we will measure it so that we get it right.

Second, sweetening our mix of customers and products. Much of this is in motion and can be done organically. But where we can accelerate our repositioning with an external leapfrog move we will consider it.

Third, innovating to improve the customer experience and doing things to earn their loyalty. And fourth, rebuilding a winning culture. What do I mean by this? The new Cardinal Health will be obsessed with understanding and fulfilling customer needs. We will be more disciplined in our execution, faster, and more entrepreneurial. Easy to say, hard to do. But our people are ready for this; and as I am telling them, this is our time.

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Longer term we know that we will be exploring adjacent products and services that enhance customer value, both downstream and upstream, and we will be exploring opportunities to expand both into new adjacent spaces and perhaps new geographies. Having said this, our immediate focus is here at home and on our core businesses.

Although it is premature to try to provide guidance at this time, we do see a business clearly capable of growing its revenue lines at or above the overall pharma market rate; and as we improve our positioning over the midterm, growing our bottom line even faster. I look forward to connecting with many of you in the coming months. With that I will turn the call over to Dave.

David Schlotterbeck - Cardinal Health, Inc. - Vice Chairman, CEO of CMP

Thanks, George. First I'd like to say that I appreciate the investments made by our organization that have allowed the formation of Clinical and Medical Products. And I am extremely excited about today's announcement. Together we have built a great organization in CMP over the last few years.

This is an organization that has the size and scale to stand on its own as a separate public company and one that, given our competitive position in key product areas, can be highly successful over the coming years.

We have an outstanding leadership team in place. Dwight Winstead will be our Chief Operating Officer. Some of you have met Dwight over the last several years. For those who have not, he has more than 30 years of sales, marketing, and operations experience in the healthcare industry and is a proven executive.

There is a very strong management team already in place in key sales, marketing, and operational roles; but there are a few key roles to fill as part of being a public company, most notably Chief Financial Officer where we have a search in progress. I hope to name the individual by the filing of the Form 10, which we expect will be in Q3. We will also provide many other details about the spin in addition to detailed financial information such as stock exchange listing and corporate governance at that time.

Now, before I say much about the future I want to reiterate that we are intent on achieving the financial goals laid out for us in FY '09 of 10% revenue growth and over 20% segment profit growth. We continue to enhance our quality systems and resolve outstanding product recalls, which are still on track for resolution by calendar year-end.

We will continue to execute with excellence on the integration of VIASYS and Enturia. Importantly, for now and the future we are investing increasing amounts in R&D to feed the innovation pipeline. We will bring Version 10 of the Alaris operating system, the MedStation 4000, the Palmtop ventilator to the market with many other innovations and product enhancements also coming over the next 12 months.

Now, with today's announcement, we will work towards a spinoff and ensure that we are well positioned for success moving forward. Over the long term we will continue to focus on helping our customers by bringing clinically differentiated products and solutions with simple but extremely compelling value propositions. We will focus on medication management and infection prevention. We are focused on maintaining our leadership in medication management through continued innovation to bring next-generation products for our infusion and dispensing products and breakthrough ideas.

My target is to become the gold standard in infection prevention. Individual products and services that make it easy for providers to follow evidence-based protocols and leverage leading positions in a number of areas using innovation to bring solution bundles that dramatically reduce infection rates.

Internationally we will continue our country-by-country approach for our medical technologies, all of which have significant paths for growth offshore. For example, we have an enhanced focus on product development for targeted markets in an evolving landscape internationally to ensure that we are developing the right products. I expect to round out our offerings through targeted acquisitions and strategic alliances.

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Now, in summary I am confident in our businesses and excited for the future. We have leading positions in critical areas of healthcare, and we can make a real difference in improving our customers' financial performance, the quality of care, and importantly we can help improve patients' lives.

Now I would like to open this up for questions and turn this back over to Kerry.

Kerry Clark - Cardinal Health, Inc. - Chairman, CEO

Thank you, Dave. Operator, we are open for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Lisa Gill, JPMorgan.

Atif Rahim - JPMorgan - Analyst

It is Atif Rahim in for Lisa. A couple of questions. I think the announcement comes earlier than the 60- to 90-day guidance you had provided earlier; so if you could provide us with any clarity on that, that would be great.

Then secondly, Jeff, if possible could you give us any earnings contribution guidance around the \$800 million to \$1 billion that is moving into the HSCS business?

Kerry Clark - Cardinal Health, Inc. - Chairman, CEO

Good morning, this is Kerry here. Let me just answer your first question. We did say we expect to make the announcement prior to the earnings call in October, which is scheduled for the 29th of October. So we are really just four weeks ahead of that. We feel comfortable that we have completed the process and are happy to announce the decision.

Jeff Henderson - Cardinal Health, Inc. - CFO

On your second question, unfortunately at this point I really wouldn't want to get into the EBIT contribution other than to say, as I indicated during my prepared remarks, that we expect it to be accretive on a margin percentage basis to the new Cardinal Health.

One of the reasons I don't want to get into some of the specific EBIT numbers at this point is I'd like to get through the Form 10 process first. That has some very specific requirements about how we look at the individual businesses, and we will be better prepared to comment once we file the Form 10. But thanks for the question.

Atif Rahim - JPMorgan - Analyst

Thank you.

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Operator

Tom Gallucci, Merrill Lynch.

Tom Gallucci - Merrill Lynch - Analyst

Good morning. Thank you. Just two questions. First, as we think about spinning off, to what extent do you anticipate there will be incremental costs? Not as part of the spin, but in the ongoing companies in the future, for services that you will have to provide now for two companies.

I guess along the same lines, to what extent can you lever some of the things that you have done to combine back-office and things as we look forward?

Kerry Clark - Cardinal Health, Inc. - Chairman, CEO

Good morning, Tom. It is Kerry. I am going to ask Jeff to take that question, please.

Jeff Henderson - Cardinal Health, Inc. - CFO

Good morning, Tom. Let me take your second question first. You know as I have said both internally and in external settings as well, I think we have made huge progress in the past three or four years with respect to One Cardinal Health and combining a lot of our back-office shared functions, shared services, and various staff functions in much more efficient way. I think 95% of those benefits that we realized will stay intact because it was really about looking at 40 or 50 disparate businesses; bringing those up to create common processes and common systems; and whether ultimately we go forward as one company or two companies, I think a great deal of those benefits will remain intact.

To your first question, yes, there will be some incremental dis-synergies so to speak as we look forward. A lot of those relate to just the incremental costs of having two public companies. Things like listing fees and audit fees and having two executive teams, etc. But we will be working over the next couple months to try to minimize those to the extent possible, and we think they are very manageable. But we will continue to work on those and minimize them to the extent possible. Thanks Tom. Next question, please.

Operator

Ross Muken, Deutsche Bank.

Ross Muken - Deutsche Bank - Analyst

Just wanted to quickly wish congratulations to everyone in their new roles. In terms of the spin structure and also looking to the sort of legacy core asset now, how much do you think this whole process is going to be a bit of a distraction to some of the programs you have put in place, specifically on the HCS pharma side, in terms of continuing to enact a turnaround there and making sure everyone at the corporate level and below is really focused on their day-to-day activity and not worrying about all the moving parts that go along with splitting up these two large assets?

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Kerry Clark - Cardinal Health, Inc. - Chairman, CEO

Hi, Ross. Good morning, Kerry here. Well, I would say first of all we have been generally evolving to the separation of CMP and HSCS now really over the last 18 months or so; and particularly over I would say the last quarter we have really been clearly getting set up with a leaner, skinnier, corporate and a more focused CMP and HSCS group.

You know today we have got a little more fine tuning on how we are dividing up the assets. But the process of getting HSCS focused on HSCS and CMP on CMP has really been underway. Now clearly there is going to be some distractions; no question about it. But the process for many has begun and new roles have been developing for a few months now.

Ross Muken - Deutsche Bank - Analyst

But just in terms of at the employee level, is there any specific areas where there is potential for disruption more so than others? Or do you think the overall working base was fairly well prepared for this and has known for some time which side of the house they would fall out on, and kind of how the pro forma company would look, etc.?

Kerry Clark - Cardinal Health, Inc. - Chairman, CEO

Ross, why don't I ask Dave and George just to make a few comments from each of their sides on that subject then?

David Schlotterbeck - Cardinal Health, Inc. - Vice Chairman, CEO of CMP

Thanks, Kerry. I will go first. First CMP has been reorganized, and we announced that reorganization in July, to focus very much on operational issues. I think that the majority of the work in this separation is going to be taking place in the legal and finance areas, which are not nearly as operational.

So while there is an extra burden, I really don't think that it is going to be insurmountable by any stretch of the imagination. George?

George Barrett - Cardinal Health, Inc. - Vice Chairman, CEO of HSCS

Thanks, Dave. Ross, I think I would echo part of what Dave is saying. Administratively there certainly are folks that are working on the filings and no question that consumes some time. But fundamentally we have been centering our business now around a group of priorities that have been hopefully drilled in over and over again for all of us, that we are really moving around.

So I think that the organization that is actually doing the operating business and interfacing with customers is very clear and very focused; and I am not worried about a distraction here.

Ross Muken - Deutsche Bank - Analyst

In terms of reaching out to your customers, I don't know if on either side you have done this and gotten any initial reaction to a potential split. I know there wasn't a ton of areas where you were leveraging both sides of the business, although maybe on the hospital side that was probably more so.

Was there any specific areas where you think either this helps or hurts you relative to the customer base? Or have you heard any feedback, positive or negative, relative to a split-up of the assets?

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Kerry Clark - Cardinal Health, Inc. - Chairman, CEO

Ross, Kerry here again. I think first of all you know we have -- we are making the public announcement today and we are somewhat hampered in our ability to make specific announcements to our customers. But we have been carefully reviewing all our customer contracts and working with our selling organization. We believe everything is quite manageable and that there will be probably a number of customers where we will continue to work collaboratively across the two ventures to serve those customers. So again I think we are feeling that that is going to be manageable.

Ross Muken - Deutsche Bank - Analyst

Great. Thank you, gentlemen.

Operator

Glen Santangelo, Credit Suisse.

Glen Santangelo - Credit Suisse - Analyst

Yes, I just have a couple quick questions. First for you, George, I am kind of curious in your mind if the decoupling of these businesses has any impact on the growth rate of your distribution businesses? It seems like both the distribution businesses have been underperforming their competitors for the past 18 months.

Does decoupling these businesses do anything to help that? Or are the issues solely related to what is going on in your distribution business? Then I just had a follow-up for Dave if I could.

George Barrett - Cardinal Health, Inc. - Vice Chairman, CEO of HSCS

Thanks, Glen. I don't think the issues were fundamentally a product of the total mix as a Corporation. I think largely they were more about our businesses. The fix, however, really does require very dedicated focused attention. So although I would not attribute our challenges necessarily to the presence of a broad array of businesses, I would say the ability to turn the performance in the right direction faster is enabled by a greater focus and allowing us to really center around the activities that are core to us.

Glen Santangelo - Credit Suisse - Analyst

So would you attribute a lot of those historical problems to the DEA issue? In your prepared remarks you said you think you can grow this business above market growth. I was curious as to maybe where you see that market growth today.

George Barrett - Cardinal Health, Inc. - Vice Chairman, CEO of HSCS

I certainly would not attribute our problems to the DEA. As you know we have had some regulatory issues that have brought us in discussion with DEA, and it certainly hampered our performance, but we have had other issues. I talked about some of those on the call. A little bit of issues associated with customer mix. I think getting out of the blocks a little bit on our generic program, and aligning those programs effectively across between the generic strategies and the retail interface with our customers.

So I think the problems that we have been working on are a little bit broader than just the regulatory issues, but I think we are clear on them. Everybody is working on the right issues and we are going after them.

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As it relates to growth rate, two points. One is the -- why would we suggest we might grow faster than the market rate? We are to some extent, to some extent, a surrogate given the breadth of our mix for the market. But we do have a bit of mix in terms of customer that tends to bias us a little bit higher on the revenue side.

As it relates to market forecast, boy, it is tough to do that for you. You know it has been an unusual time out there in healthcare. The market rate has been relatively low for the past six months. But predicting it going forward, given where the economy is, is a little bit challenging right at this moment.

Glen Santangelo - *Credit Suisse - Analyst*

Then if I could just ask one follow-up for Dave, you have thrown out some pretty hefty growth rates for the spin-co of 10% revenue and 20% operating profit. I am kind of curious. Is that an organic number?

Given what we have seen out of Cardinal Health historically in their ancillary businesses, what gives you the confidence to promise a growth rate that high? Then I will jump off it. Thanks.

David Schlotterbeck - *Cardinal Health, Inc. - Vice Chairman, CEO of CMP*

Glen, that has been our historic growth rate for the last three years. It is really driven by our focus on significant issues that our customers are having to deal with and providing solutions that provide some significant economic as well as patient safety benefits. So my confidence in that kind of a growth rate going forward is extremely high.

Glen Santangelo - *Credit Suisse - Analyst*

Okay, thank you.

Operator

Larry Marsh, Barclays.

Larry Marsh - *Barclays Capital - Analyst*

Thanks, I am having trouble with it as well. Good morning everyone. I guess a clarification for Jeff. You are now saying the share count -- excuse me, the repurchase offsetting equity compensation issuance, are you communicating an estimated share count at this point and timing of when you will be back in the market?

Jeff Henderson - *Cardinal Health, Inc. - CFO*

Larry, it's Jeff. Thanks for the question. First of all, going back to the prior discussion before I get to your question, Larry, to be clear -- Dave's reference to growth rate pertained to the FY '09 growth rate that we have already provided in guidance. We are not at this point talking about longer-term growth rate. I just want to be clear on that.

So Larry, going to your question, first of all what we have said about share repurchase is pretty consistent with what we spoke about at the previous call, where we had indicated that if the Board did decide to go forward with the spin that we would be downsizing our expected repurchase program for the year.

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As you stated, we expect it will be no more than the amount required to offset any dilution related to issuances for equity compensation purposes. In terms of the expected share count, consistent with -- we stated at the last call we expect it to be 361 million to 362 million on average for the full year.

Larry Marsh - *Barclays Capital - Analyst*

Okay, great. Thank you. Then a clarification I guess maybe for George and Jeff. Are you guys in a position to be -- you say \$800 million to \$1 billion; why the big range? Is that just some of the restrictions before the Form 10?

Then if you sort of add that to Cardinal Health, I get pro forma for fiscal '08 of about \$88.5 billion. I know before you had said over 6% revenue growth; and today you are saying at least \$90 billion. So I guess that could still be consistent, because you are not saying how much over \$90 billion it is. But that would get me to like \$93 billion, \$94 billion. Am I doing that right or am I missing something?

Jeff Henderson - *Cardinal Health, Inc. - CFO*

No, you are doing it right, Larry. We just wanted to give some numbers in broadbrush strokes at this point, recognizing that we will be giving more specific numbers in the months and quarters ahead. But the calculation you did is the correct one.

In terms of the revenue of the businesses moving over, we have given a broad range really for the reason you said -- that until we get through the Form 10 process and also figure out exactly how intercompany relationships are going to work, and what the distribution agreements are to look like both domestically and internationally, and finalize every specific product line, etc. We just wanted to make sure we gave a broad enough range there to cover our bases.

Larry Marsh - *Barclays Capital - Analyst*

Great. Then finally I guess a clarification around the length of any employment contracts for Dave and George. When would you anticipate disclosing that? Would that be part of the Form 10?

Kerry Clark - *Cardinal Health, Inc. - Chairman, CEO*

Larry, it's Kerry. I think that sometime over the next few months they will be completed, but they are not done at this moment.

Larry Marsh - *Barclays Capital - Analyst*

Okay, very good. Thank you.

Operator

John Kreger, William Blair.

John Kreger - *William Blair - Analyst*

Thanks. A question for Kerry. Kerry, can you just reflect a bit on the last two and half years that you have had at the firm, and how your vision of the best way to proceed has evolved?

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I am thinking primarily about as you have tried to serve the acute-care hospital markets you kind of came in with a vision that bundling the many services that Cardinal had together would really be the most profitable way to move forward; and clearly that has changed. Can you just address how you have gotten here?

Kerry Clark - *Cardinal Health, Inc. - Chairman, CEO*

Sure. Thanks, John. Well, this could probably be a very long call at some point in time. But I think over time the overarching goal over the last couple years has been trying to create more focus and more scale with the businesses. Tracking through some of the key decisions we made along the way, first decision was to spin off, sell off the pharmaceutical technology services business, which was going to allow us to focus on the healthcare providers and get away from contract manufacture for the pharmaceutical industry. That really moved the Company from five operating segments to four operating segments.

As we looked at how to create more focus and scale across the remaining enterprises, we continued to move forward to align our distribution businesses under Healthcare Supply Chain Services and create a strong entity there.

Then you will recall after that we began to look at our medical products businesses and CTS, and out of that evolve Clinical and Medical Products. As we kept looking for what were the best ways to create focus and scale, clearly we have an overarching connecting rod in the hospitals. No question about it. But increasingly, we saw very high leverage opportunities to create focus and scale across each of the segments. So we saw real opportunities in Supply Chain Services to create focus and scale, and likewise in Clinical and Medical Products.

And in the end, when we had to sort of test the bonds of which looked to be the stronger long-term play for the Company, we concluded the best way was to drive focus and scale across the two segments and learn to collaborate across the hospital area.

While that was not an easy choice, we felt that was somewhat manageable because, even as we went to market in the hospital space, our strategy was, if you will, a set of experts who would manage the key hospital account but a significant subject matter expertise by product line that was really supporting this overall roof idea of going to hospitals.

So to a large degree we have been keeping and driving that subject matter expertise by segment under the integrated selling organization. So yes, as we go forward we still think the hospital is clearly a very, very important part for both businesses. And yes, we expect to have collaborative arm's-length arrangements, just as I expect over time we will have other alliances with other companies as we approach our hospital customer base.

So in the end, the decision was to create focus and scale across the segments and learn to collaborate across the top. That pretty much was the thinking that led us to where we are today. I couldn't be happier or more excited about this. I think that we have also learned that each of our companies -- the future companies -- really has a lot of unique opportunities which will be best served by management focusing on those.

I mean, two very simple things. If you look at the type of research and development and innovation we need in each business, in Clinical and Medical Products the research and innovation is very different, as it is focused on products and technologies; where in Supply Chain Services it is a lot about services and concepts and how we help serve our customers in a way which helps them become more productive and safer. Different types.

IT, very, very different types of IT solutions for running large distribution companies than running Clinical and Medical Products. Which is why a few months ago we did announce that we were upping our investment in IT for HSCS and upping our investment in R&D for Clinical and Medical Products.

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So we feel this is naturally falling into buckets that feel good and that it will allow each organization to fulfill its full potential. And through filling its potential and through more innovation we will be able to favor the healthcare industry better as two than we would be as one.

John Kreger - *William Blair - Analyst*

Thanks very much, Kerry.

Operator

Randall Stanicky, Goldman Sachs.

Randall Stanicky - *Goldman Sachs - Analyst*

Great, thanks for taking the question. Jeff, just a question on the spin structure. Can you just give us a sense of what other structures that you looked at ultimately when you came to the decision on this current structure?

Then secondly, has the process allowed you to find any other divestiture candidates that we should expect to perhaps not be with the business over the next six to 12 months?

Jeff Henderson - *Cardinal Health, Inc. - CFO*

Randall, it's Jeff. Let me try to address both your questions, and I will ask the rest of the folks here to chime in on the second one as they see fit.

Well, clearly the primary endgame we were looking for was a way to set up both companies in a manner that allowed them to maximize their potential for our customers, for our employees, and the shareholders. Accomplishing that in a tax-free matter was also very important to us as well, given the potential tax cost associated with other structures that could be available.

So ultimately the focus was primarily on accomplishing the spin or the separation in a tax-free way. That really led us relatively quickly to the conclusion that a spinoff of the CMP businesses made the most sense financially, operationally, and for our shareholders.

On the question of divestitures, as we have said a few months ago, there are two businesses that are remaining in the all-other segment within our Company. Originally we had four. We recently announced Tecomet and MedSystems have been sold to third-party buyers. So we still have remaining in that group our Medicine Shoppe International business and our pharmacy services businesses.

As we indicated at the time that we put them into that grouping, we are really taking a strategic look at the fits of those businesses going forward. We continue to view them as very valuable, profitable businesses that provide a lot of value-add to the customers. But the question really is whether they fit with Cardinal Health for the longer term, and we are continuing to go through that process.

As I indicated though, until we decide otherwise they will remain with Cardinal Health, and they will be part of Cardinal Health post-spin if we haven't decided to divest them at that point.

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Since we are talking about assets, etc., I just want to comment on one other point that I am sure -- or question that is on your mind. That is, how we expect to allocate the assets of the total Company to the spinoff company. By this I mean balance sheet assets.

Our current expectation is that about one-third or so of the total assets and perhaps a little above that for the net fixed assets would be allocated to the spinoff company. On the liability side of the balance sheet we are still finalizing the capital structures for the two entities. But on a preliminary basis we would expect spin-co to have about 35% to 45% of the level of long-term debt of pre-spin Cardinal Health.

So again just wanted to get that information out there because I am sure many of you would be interested in our current thinking. But please recognize that is still preliminary. We have some more work to go through there.

Randall Stanicky - *Goldman Sachs - Analyst*

That's helpful. Thanks a lot, Jeff.

Operator

John Ransom, Raymond James.

John Ransom - *Raymond James - Analyst*

Good morning. Just a couple of sticky questions. Jeff, if a third of the net fixed assets go, is there any reason to think that a third of the D&A wouldn't go? Is there something different with the timing of the D&A periods?

Jeff Henderson - *Cardinal Health, Inc. - CFO*

I think that is a fair assumption to make. Obviously there are specifics as you look at every asset. But there is nothing unusual there that would lead me to believe that that wouldn't be a reasonable assumption to make.

John Ransom - *Raymond James - Analyst*

I'm sorry if I missed this, but did you give the revenues of the disposable businesses that are moving from CMP to supply chain?

Jeff Henderson - *Cardinal Health, Inc. - CFO*

Yes, what I said is the total revenue of the businesses that are moving over is expected to be in the \$800 million to \$1 billion range.

John Ransom - *Raymond James - Analyst*

Okay. Thank you. I know we are not going to get the final totally precise answer until you file the Form 10. But if we split the businesses as if they had been reported; subtract \$1 billion from CMP; add some cost for financial and legal; and then allocate the D&A, are we going to be just wildly off?

Is there something that we are missing that is occurring in the transition that -- I know you'll have some intercompany transactions. But in terms of us making estimates in advance of your formal filing, is there anything else we ought to be thinking about?

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Jeff Henderson - Cardinal Health, Inc. - CFO

I am sure there is lots of things that need to be thought about, and you mentioned a few of them. Intercompany arrangements and how we go to market both domestically and internationally. But for broadbrush purposes what you described I can't disagree with.

But I don't want to get more specific than that because we have got a lot of work ourselves still to do to nail it down exactly. But nothing comes to mind that would be extraordinary above and beyond what you describe.

John Ransom - Raymond James - Analyst

Okay. Because it looks like you have kind of already set these businesses up.

Then finally, I know Dave talked about acquisitions. I guess I have to mention it looked like the last two transactions in CMP have been done at extraordinarily high EBITDA multiples. We calculate it in the high teens. Can we think about -- I mean, Cardinal has not had a wonderful history in generating value from making double-digit multiple acquisitions. Can we think about kind of going forward how you think about -- I guess it is a question for Dave -- how you think about acquisitions and how you can make a deal work at that multiple, even though we grant it is an exciting business that you are growing in.

David Schlotterbeck - Cardinal Health, Inc. - Vice Chairman, CEO of CMP

Let me say first that the kinds of multiples that we paid for both VIASYS and Enturia are typical of med tech multiples. The way that we run our deal models really are around whether or not we can find enough synergies and growth opportunities by being part of a larger organization to be able to generate more than our cost of capital by year number 3.

So this is a world historically where I am very comfortable, and it is how business is done in med tech.

Kerry Clark - Cardinal Health, Inc. - Chairman, CEO

John, this is Kerry. Let me just make a couple quick comments. I think as a starting point Alaris by all measures was a real slam dunk for Cardinal and in many ways was the anchor that has allowed us to build this business.

VIASYS is another cornerstone acquisition and it is ahead of acquisition economics as we sit today.

Number three, Enturia is ahead of acquisition economics as we sit today.

So I think if you really look at the cornerstones particularly in the med techs pieces, Alaris and VIASYS, those have been very good acquisitions for Cardinal. No regrets and in fact only feeling good about what they do about creating a new future for us.

John Ransom - Raymond James - Analyst

Well, if I could make an editorial comment, I think relative to other companies we have had experience with, I think it might serve you guys well to provide a little more post-transaction transparency on results versus budget and on how you are thinking about return on capital versus cost of capital.

Because I think that has been missing a little bit, and that is probably more a problem of legacy than what you guys have done. But it is just hard for us to -- these acquisitions get announced at high multiples; they get rolled in; and not much information financially is provided post-transaction.

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It just looks like a Cardinal is back to what they were doing that didn't work, which was the high transaction multiple into hot businesses and then not much post-transaction as far as (inaudible). So that is my little sermon, but thank you for listening.

Kerry Clark - Cardinal Health, Inc. - Chairman, CEO

Okay, John. Appreciate your comment. Yes, we have some good stories there and we will be happy to share them. Thank you for bringing that up.

Operator

At this time there are no further questions. I would now like to turn the call over to Mr. Kerry Clark for closing remarks.

Kerry Clark - Cardinal Health, Inc. - Chairman, CEO

Well, thank you, everybody, for joining us. I know it is an exciting time out in the markets today. We appreciate you taking the time to join us. If you have any questions, don't hesitate to give Sally or her gang a call. They will be here today to answer any of your questions. Thank you very much and hope you have a good day.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect and have a good day.

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