



**HALYARD**

**J.P. MORGAN HEALTHCARE  
CONFERENCE**

**Robert Abernathy  
Chairman and CEO**

# OVERVIEW

## FORWARD-LOOKING INFORMATION

Certain matters in this presentation and conference call, including our 2016 outlook, expectations and planning assumptions, and any estimates, projections, and statements relating to our business plans or objectives, constitute forward-looking statements and are based upon management's expectations and beliefs concerning future events impacting the Company.

These statements are subject to risks and uncertainties, including currency exchange risks, cost savings and reductions, raw material, energy, and other input costs, competition, market demand, economic condition, and legislative and regulatory actions. There can be no assurance that these future events will occur as anticipated or that the Company's results will be as estimated. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update them. For a more complete listing and description of other factors that could cause the Company's future results to differ materially from those expressed in any forward-looking statements, see the Company's most recent Form 10-K and Quarterly Reports on Form 10-Q.

## NON-GAAP FINANCIAL MEASURES

Management believes that non-GAAP financial measures enhance investors' understanding and analysis of the company's performance. As such, results and outlook have been adjusted to exclude certain items for relevant time periods as indicated in the non-GAAP reconciliations to the comparable GAAP financial measures included in this presentation posted on our website ([www.halyardhealth.com/investors](http://www.halyardhealth.com/investors)).



- **DELIVERING** our 2016 objectives
- **ADVANCING** our transformation
- **LEVERAGING** our growth opportunities
- **DRIVING** our 2017 performance

# DELIVERING OUR 2016 OBJECTIVES



## 2016 PLAN

- Medical Devices growing on plan
- S&IP performing in line with expectations
- Free cash flow greater than expected



## FUELING GROWTH

- Completed CORPAK acquisition
- Increased R&D investment
- Launched 11 new products

# ADVANCING OUR TRANSFORMATION ON TARGET

## Position For Success

*(spin through 2015)*

- Successful spin execution and focus on efficiency of stand-alone operations
- Accelerate innovation engine

## Fuel Growth Pipeline

*(2016 - 2017)*

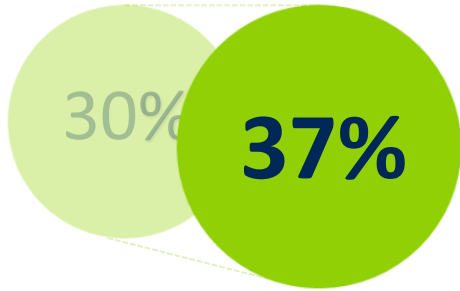
- Invest in growth initiatives
- Round out Medical Devices portfolio through strategic M&A

## Long-Term Devices Focus

*(2018 and beyond)*

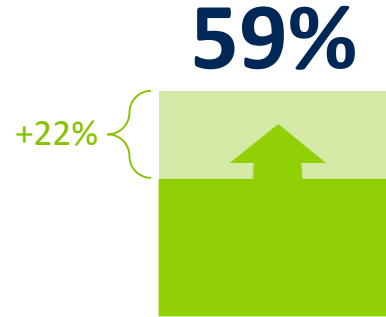
- Portfolio transitioned to high growth and high margin Medical Devices
- Adjacency expansion in Pain Management, Digestive Health and Respiratory Health

# ADVANCING OUR TRANSFORMATION PORTFOLIO



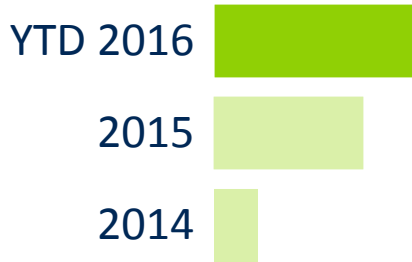
Medical Devices sales mix up from 30%

Period Q4 2014 to Q3 2016



Share of Operating Profit from Medical Devices up from 37%

Period Q4 2014 to Q3 2016



**+4%**  
Accelerating growth in Medical Devices

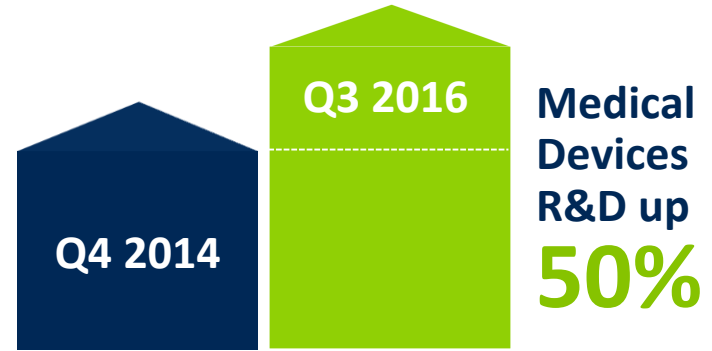
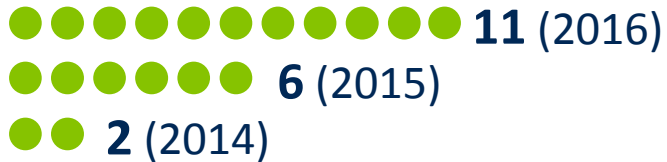
Through Q3 2016



Period Q1 2015 to Q3 2016

# ADVANCING OUR TRANSFORMATION COMPANY

Increasing product launches and pipeline value



**\$139M**  
LTM



Free Cash Flow helps fund growth investments

Through Q3 2016

# HALYARD TRANSFORMATION





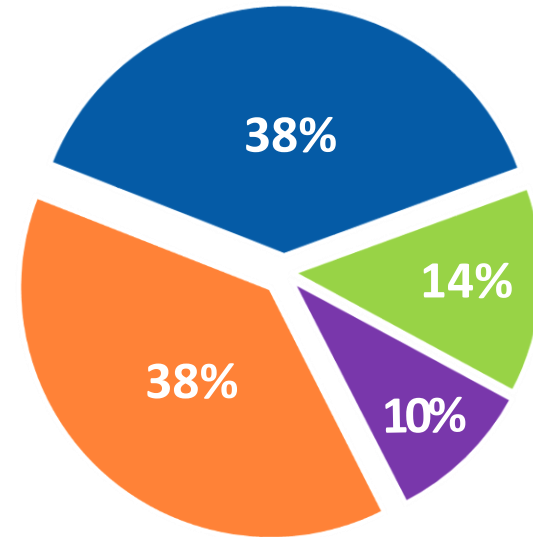
# LEVERAGING OUR GROWTH OPPORTUNITIES



## Leading Market Share Positions...



## In a \$6B+ Addressable Market<sup>1</sup>



- Surgical Pain
- Interventional Pain
- Digestive Health
- Respiratory Health

<sup>1</sup> Estimated global addressable market size based on industry data and internal market estimates.



# DRIVING SALES GROWTH

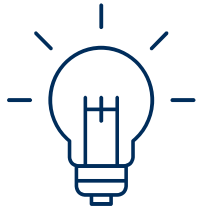
**Innovation  
through R&D**

**Market  
Adoption**

**Strategic  
M&A**

# DRIVING GROWTH THROUGH INNOVATION

## INCREASING R&D INVESTMENT



### BUILDING INNOVATION CAPABILITY

- Recruited new leadership team and talent in neuroscience
- Increased Medical Devices spending by 50%
- Launched 10 products in 2016, up from 2 in 2014



### REBALANCING SPEND TO FUND TRANSFORMATIVE R&D

- Allocation to transformative projects increased to 50% in 2017 from 19% in 2015
- Sustaining R&D to protect leading market positions



### LAUNCHING PAIN CENTER OF EXCELLENCE

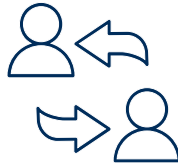
- Focusing on diagnosing and treating pain through non-opioid therapies
- Leveraging expertise to develop new technologies
- Building partnerships with universities and researchers

# DRIVING GROWTH BY ACCELERATING MARKET ADOPTION FOCUSED ON COST, QUALITY & OUTCOMES



## REDUCING NARCOTIC DEPENDENCY

- Significant opportunity to reduce the systemic costs linked to opioid-based pain relievers
- Bundled payment provides opportunity to raise awareness of the economic and clinical advantages



## ENGAGING PATIENTS

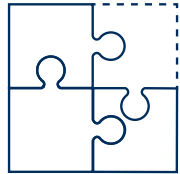
- Launched ON-Q track, which emphasizes the patient experience and outcomes
- Advertising direct to consumer for COOLIEF to build awareness



## GENERATING CLINICAL EVIDENCE

- Investing in clinical outcomes data that validates Halyard therapies
- Knee osteoarthritis abstract data presented at ASRA and awarded “Best in Conference;” evidence supports future growth and adoption of COOLIEF
- Leveraging our more than 100 ON-Q clinical studies

# DRIVING GROWTH THROUGH STRATEGIC M&A



## EXECUTING BOLT-ON ACQUISITIONS

- Demonstrating ability to acquire and integrate
- Realizing and accelerating synergies validating scalability of existing portfolio
- Enhancing our enteral feeding portfolio with clinically preferred products



## EXPLORING EARLY STAGE INVESTMENTS

- Partnering with leading research institutions and clinical experts on new therapies
- Evaluating MedTech investments and joint venture opportunities to fuel our growth



## EXHIBITING CAPACITY TO EXECUTE

- Established network of advisors to enhance target identification
- Leverage capacity of up to \$400 million

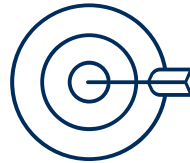
# SURGICAL & INFECTION PREVENTION

## MARKET LEADING SHARES AND DIVERSIFIED PORTFOLIO



### CLEARLY DEFINED STRATEGY

- Maintaining market share
- Maximizing cash flow
- Leveraging strong brands



### EXECUTING FOCUSED PLAN

- Realizing annual manufacturing cost savings programs
- Employing specialized, dedicated sales force



### LEADING MARKET INNOVATION

- Investing in continuous product evolution
- Introducing value-based alternatives



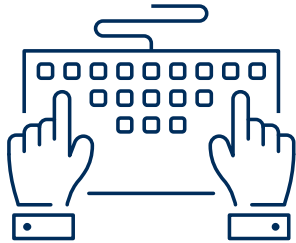
# COMPANY TRANSFORMATION

**Driving  
Efficiency in IT**

**Tax Planning**

**Enhancing  
Supply Chain**

# TRANSFORMING THROUGH IT COST STRUCTURE



## PROGRESS TO DATE

- Migrated to third-party hosting
- Reduced IT costs as a percentage of sales
- Planning for ERP migration

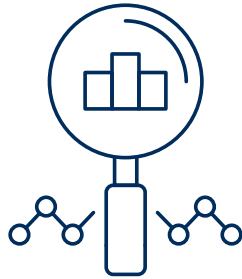


## IT COST TRANSFORMATION

- Improve data quality and utilization through data harmonization
- Consolidate ERP systems
- Enhance back office efficiencies

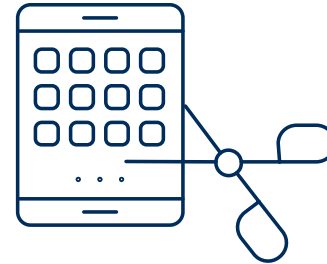


# TRANSFORMING THROUGH TAX PLANNING



## PROGRESS TO DATE

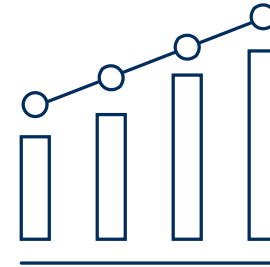
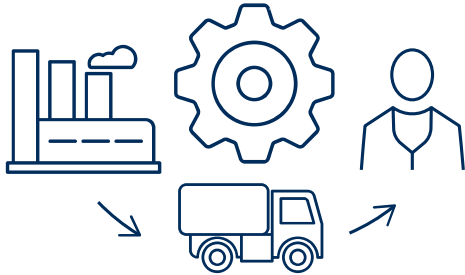
- Reduced rate to 34% from 38%
- Maximized R&D tax credit



## TAX OPTIMIZATION PLAN

- Long-range tax planning
- Evaluating potential legislative changes

# TRANSFORMING THROUGH SUPPLY CHAIN



## PROGRESS TO DATE

- Collecting cash faster than pre-spin
- Maintaining pre-spin payment terms
- Completed product rebranding

## DRIVING EFFICIENCY

- Refining inventory management through SKU rationalization
- Enhancing planning capabilities



# CULTURAL TRANSFORMATION

**Healthcare Thought Leadership**

**Innovation Focus**

**Bold Decision Making**

# DRIVING OUR 2017 PERFORMANCE



## 2017 PLAN

- Accelerate device growth
- Deliver S&IP plan
- Execute product launches
- Generate strong cash flow



## FUELING GROWTH

- Continue acquisition strategy
- Increase R&D investment
- Execute cost transformation



**HALYARD**

**THANK YOU**

# APPENDICES

# NON-GAAP RECONCILIATIONS

## In millions

|                                 | Gross Profit       |          |                   |          | Operating Profit   |            |                   |            |
|---------------------------------|--------------------|----------|-------------------|----------|--------------------|------------|-------------------|------------|
|                                 | Three Months Ended |          | Nine Months Ended |          | Three Months Ended |            | Nine Months Ended |            |
|                                 | September 30,      |          | September 30,     |          | September 30,      |            | September 30,     |            |
|                                 | 2016               | 2015     | 2016              | 2015     | 2016               | 2015       | 2016              | 2015       |
| As reported                     | \$ 138.0           | \$ 131.0 | \$ 415.2          | \$ 398.0 | \$ 20.9            | \$ (461.2) | \$ 71.6           | \$ (398.2) |
| Spin-related transition charges | 4.5                | 4.1      | 4.6               | 8.2      | 6.7                | 16.0       | 10.6              | 46.4       |
| Manufacturing strategic changes | —                  | —        | —                 | 0.3      | —                  | —          | —                 | (12.0)     |
| Acquisition-related charges     | 1.5                | —        | 5.0               | —        | 4.4                | —          | 14.7              | —          |
| Goodwill impairment             | —                  | —        | —                 | —        | —                  | 475.5      | —                 | 475.5      |
| Litigation and legal            | —                  | —        | —                 | —        | 5.1                | 9.1        | 15.1              | 9.1        |
| Intangibles amortization        | 0.8                | 0.7      | 2.3               | 2.3      | 5.6                | 6.5        | 16.5              | 19.2       |
| As adjusted non-GAAP            | \$ 144.8           | \$ 135.8 | \$ 427.1          | \$ 408.8 | \$ 42.7            | \$ 45.9    | \$ 128.5          | \$ 140.0   |

# NON-GAAP RECONCILIATIONS

## In millions

|  | Income Before Taxes |            |                   |            | Income Tax Provision |           |                   |           |
|--|---------------------|------------|-------------------|------------|----------------------|-----------|-------------------|-----------|
|  | Three Months Ended  |            | Nine Months Ended |            | Three Months Ended   |           | Nine Months Ended |           |
|  | September 30,       |            | September 30,     |            | September 30,        |           | September 30,     |           |
|  | 2016                | 2015       | 2016              | 2015       | 2016                 | 2015      | 2016              | 2015      |
| As reported                            | \$ 12.7             | \$ (469.0) | \$ 47.4           | \$ (423.0) | \$ (3.6)             | \$ (1.5)  | \$ (17.6)         | \$ (17.8) |
| <i>Effective tax rate, as reported</i> |                     |            |                   |            | <b>28.3%</b>         | -0.3%     | <b>37.1%</b>      | -4.2%     |
| Spin-related transition charges        | 6.7                 | 16.0       | 10.6              | 46.4       | (2.3)                | (6.3)     | (3.9)             | (17.7)    |
| Manufacturing strategic changes        | —                   | —          | —                 | (12.0)     | —                    | —         | —                 | 3.6       |
| Acquisition-related charges            | 4.4                 | —          | 14.7              | —          | (1.7)                | —         | (5.6)             | —         |
| Goodwill impairment                    | —                   | 475.5      | —                 | 475.5      | —                    | —         | —                 | —         |
| Litigation and legal                   | 5.1                 | 9.1        | 15.1              | 9.1        | (1.9)                | (3.5)     | (5.7)             | (3.5)     |
| Intangibles amortization               | 5.6                 | 6.5        | 16.5              | 19.2       | (2.3)                | (2.4)     | (6.2)             | (7.4)     |
| Thailand statutory tax rate change     | —                   | —          | —                 | —          | —                    | —         | 3.7               | —         |
| As adjusted non-GAAP                   | \$ 34.5             | \$ 38.1    | \$ 104.3          | \$ 115.2   | \$ (11.8)            | \$ (13.7) | \$ (35.3)         | \$ (42.8) |
| <i>Effective tax rate, as adjusted</i> |                     |            |                   |            | <b>34.2%</b>         | 36.0%     | <b>33.8%</b>      | 37.2%     |



# NON-GAAP RECONCILIATIONS

## In millions

|                                    | Net Income                          |            |                                    |            |
|------------------------------------|-------------------------------------|------------|------------------------------------|------------|
|                                    | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|                                    | 2016                                | 2015       | 2016                               | 2015       |
| As reported                        | \$ 9.1                              | \$ (470.5) | \$ 29.8                            | \$ (440.8) |
| Diluted EPS, as reported           | \$ 0.19                             | \$ (10.10) | \$ 0.63                            | \$ (9.46)  |
| Spin-related transition charges    | 4.4                                 | 9.7        | 6.7                                | 28.7       |
| Manufacturing strategic changes    | —                                   | —          | —                                  | (8.4)      |
| Acquisition-related charges        | 2.7                                 | —          | 9.1                                | —          |
| Goodwill impairment                | —                                   | 475.5      | —                                  | 475.5      |
| Litigation and legal               | 3.2                                 | 5.6        | 9.4                                | 5.6        |
| Intangibles amortization           | 3.3                                 | 4.1        | 10.3                               | 11.8       |
| Thailand statutory tax rate change | —                                   | —          | 3.7                                | —          |
| As adjusted non-GAAP               | \$ 22.7                             | \$ 24.4    | \$ 69.0                            | \$ 72.4    |
| Diluted EPS, as adjusted           | \$ 0.48                             | \$ 0.52    | \$ 1.47                            | \$ 1.55    |

# NON-GAAP RECONCILIATIONS

## In millions

|                                    | Net Income                          |            |                                    |            |
|------------------------------------|-------------------------------------|------------|------------------------------------|------------|
|                                    | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|                                    | 2016                                | 2015       | 2016                               | 2015       |
| As reported                        | \$ 9.1                              | \$ (470.5) | \$ 29.8                            | \$ (440.8) |
| Diluted EPS, as reported           | \$ 0.19                             | \$ (10.10) | \$ 0.63                            | \$ (9.46)  |
| Spin-related transition charges    | 4.4                                 | 9.7        | 6.7                                | 28.7       |
| Manufacturing strategic changes    | —                                   | —          | —                                  | (8.4)      |
| Acquisition-related charges        | 2.7                                 | —          | 9.1                                | —          |
| Goodwill impairment                | —                                   | 475.5      | —                                  | 475.5      |
| Litigation and legal               | 3.2                                 | 5.6        | 9.4                                | 5.6        |
| Intangibles amortization           | 3.3                                 | 4.1        | 10.3                               | 11.8       |
| Thailand statutory tax rate change | —                                   | —          | 3.7                                | —          |
| As adjusted non-GAAP               | \$ 22.7                             | \$ 24.4    | \$ 69.0                            | \$ 72.4    |
| Diluted EPS, as adjusted           | \$ 0.48                             | \$ 0.52    | \$ 1.47                            | \$ 1.55    |

# NON-GAAP RECONCILIATIONS

## In millions

|                                 | EBITDA                              |            |                                    |            |
|---------------------------------|-------------------------------------|------------|------------------------------------|------------|
|                                 | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|                                 | 2016                                | 2015       | 2016                               | 2015       |
| Net income                      | \$ 9.1                              | \$ (470.5) | \$ 29.8                            | \$ (440.8) |
| Interest expense, net           | 8.2                                 | 7.8        | 24.2                               | 24.8       |
| Income tax provision            | 3.6                                 | 1.5        | 17.6                               | 17.8       |
| Depreciation and amortization   | 16.6                                | 16.3       | 48.4                               | 48.6       |
| EBITDA, as reported             | 37.5                                | (444.9)    | 120.0                              | (349.6)    |
| Spin-related transition charges | 6.7                                 | 16.0       | 10.6                               | 45.6       |
| Manufacturing strategic changes | —                                   | —          | —                                  | (12.0)     |
| Acquisition-related charges     | 4.0                                 | —          | 14.4                               | —          |
| Goodwill impairment             | —                                   | 475.5      | —                                  | 475.5      |
| Litigation and legal            | 5.1                                 | 9.1        | 15.1                               | 9.1        |
| Adjusted EBITDA                 | \$ 53.3                             | \$ 55.7    | \$ 160.1                           | \$ 168.6   |

# NON-GAAP RECONCILIATIONS

## In millions

|                                 | Gross Profit          |                    |
|---------------------------------|-----------------------|--------------------|
|                                 | Three Months Ended    | Three Months Ended |
|                                 | September 30,<br>2016 | March 31,<br>2015  |
| As reported                     | \$ 138.0              | \$ 132.1           |
| Spin-related transition charges | 4.5                   | 2.0                |
| Manufacturing strategic changes | —                     | 0.3                |
| Acquisition-related charges     | 1.5                   | —                  |
| Goodwill impairment             | —                     | —                  |
| Litigation and legal            | —                     | —                  |
| Intangibles amortization        | 0.8                   | 0.8                |
| As adjusted non-GAAP            | \$ 144.8              | \$ 135.2           |

# NON-GAAP RECONCILIATIONS

In millions

|                                       | Three Months Ended<br>September 30, 2016 | Nine Months Ended<br>September 30, 2016 | Three Months Ended<br>December 31, 2015 | Twelve Months Ended<br>December 31, 2015 |
|---------------------------------------|--|---|---|--|
| Cash Provided by Operating Activities | \$ 49.9                                  | \$ 143.9                                | \$ 23.0                                 | \$ 97.6                                  |
| Capital expenditures                  | (7.6)                                    | (21.7)                                  | (6.0)                                   | (70.4)                                   |
| <b>Free Cash Flow</b>                 | <b>\$ 42.3</b>                           | <b>\$ 122.2</b>                         | <b>\$ 17.0</b>                          | <b>\$ 27.2</b>                           |

## 2016 Outlook Estimated Range

|                                     |                |    |                |
|-------------------------------------|----------------|----|----------------|
| Adjusted diluted earnings per share | \$ 1.87        | to | \$ 1.97        |
| Amortization                        | (0.30)         | to | (0.30)         |
| Spin-related transition expenses    | (0.20)         | to | (0.16)         |
| Acquisition related charges         | (0.23)         | to | (0.18)         |
| Other                               | (0.31)         | to | (0.28)         |
| Diluted earnings per share (GAAP)   | <u>\$ 0.83</u> | to | <u>\$ 1.05</u> |