AVANOS

SECOND QUARTER 2018 EARNINGS CALL

August 7, 2018

AGENDA AND SPEAKERS

Joe Woody
Chief Executive Officer

ΔVΔNOS Outlook

Update on 2018 Priorities

Steve Voskuil
Chief Financial Officer

Second Quarter Financial Performance

2018 Earnings Outlook

Q&A

OVERVIEW

FORWARD-LOOKING INFORMATION

Certain matters in this presentation and conference call, including our 2018 outlook, expectations and planning assumptions, and any estimates, projections, and statements relating to our business plans, objectives, or the divestiture of our Surgical & Infection Prevention business, 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, S&IP separation execution 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 and in today's earnings release posted on our website (www.avanos.com/investors).

DELIVERING SOLID RESULTS

Year-to-date Progress Towards 2018 Goals

- Increased sales 7%, constant currency basis
- Raised full-year sales planning assumption
- Completed S&IP divestiture and on track with TSAs commitments
- Hosted inaugural Analyst & Investor Conference

DELIVERING SOLID RESULTS

Second Quarter Accomplishments

- Continued strong top-line momentum and commercial execution
- Achieved significant milestone for reimbursement of radio frequency nerve ablation for non-acute setting knee procedures
- Launched first direct-to-patient television advertising campaign
- Completed first acquisition of 2018

SECOND QUARTER SUMMARY

- 7% top-line growth, in constant currency
- Multiple growth drivers:
  - Continued market expansion of COOLIEF*
  - Innovation and a focus on Mic-Key and extension sets
  - Solid demand for closed suction products
  - Continued benefit from oral care contract

SECOND QUARTER SUMMARY

- Acute Pain sales of ON-Q* impacted by two external factors:
  - Continuing industry-wide bupivacaine shortage
  - Key third party's inability to fill pumps
- Established an exclusive partnership with Leiters Enterprises
  - An alternative for customers of pre-filled ON-Q* pain pumps
  - Expected to help improve revenue from these customers

SECOND QUARTER SUMMARY

- Expect drug supply and prefill disruption to continue through remainder of 2018
- Fundamentals of Acute Pain business are strong
  - Deepening surgeon penetration
  - Converted surgeons to ON-Q* as planned
  - On track to deliver mid-single digit growth in accounts not affected by external factors
- Well-positioned to meet need of alternatives to opioids

SECOND QUARTER SUMMARY

- Raising Medical Device sales planning assumption to 5% to 7%
- Enabled to exceed our plan through diversified portfolio
- Delivered $0.48, adjusted diluted earnings per share
- Earned $1.25 adjusted diluted earnings for first half of 2018
- Raising full-year adjusted diluted earnings per share to $1.75 to $1.90

STRATEGIC INVESTMENTS AND CAPITAL DEPLOYMENT

Reimbursement, Government and Regulatory Affairs

- Received confirmation that CMS will institute a separate code for radio frequency nerve ablation for knee procedures

Clinical Studies

- Advanced clinical studies to demonstrate competitive advantages of COOLIEF*
- Help to differentiate COOLIEF*
- Support efforts to ensure appropriate reimbursement when new code is established

STRATEGIC INVESTMENTS AND CAPITAL DEPLOYMENT

Direct-to-Patient Marketing

- Increased outreach to drive patient awareness for COOLIEF*
- Launched first television advertising campaign in 6 U.S. markets
- Saw 4 times our normal traffic to website

Capital Deployment

- Announced and closed the acquisition of Game Ready
- Enhances our already robust non-opioid pain management portfolio
- Expands sales channels and call points within orthopedic and sports medicine
- Integration on track
- Robust M&A pipeline and continue to actively examine opportunities

Well positioned to enhance shareholder value

SECOND QUARTER 2018 RESULTS

Steve Voskuil

Chief Financial Officer

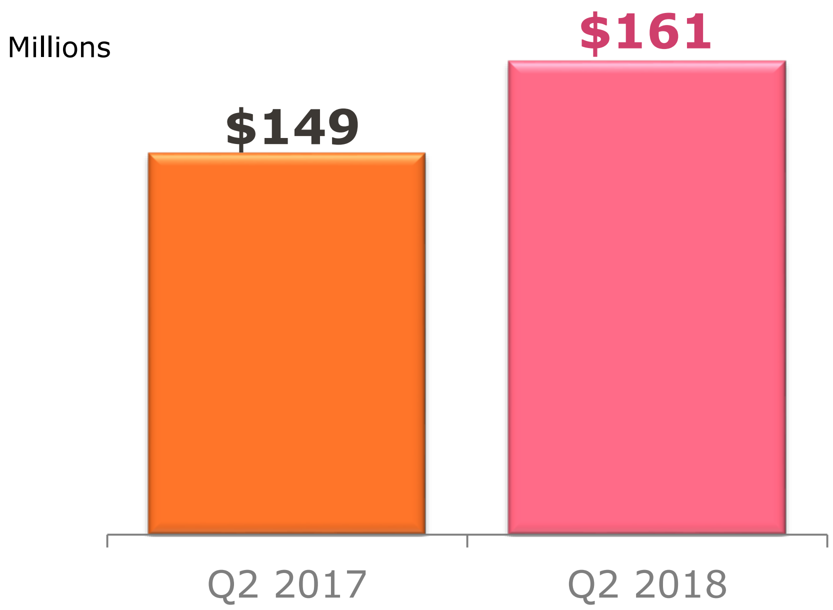
SECOND QUARTER RESULTS

- Proud of results delivered during extremely busy quarter
- S&IP results treated as discontinued operations
  - Shared costs previously allocated to S&IP now included in continuing operations
  - 2018 second quarter shared costs of $9 million
  - 2017 second quarter shared costs of $28 million

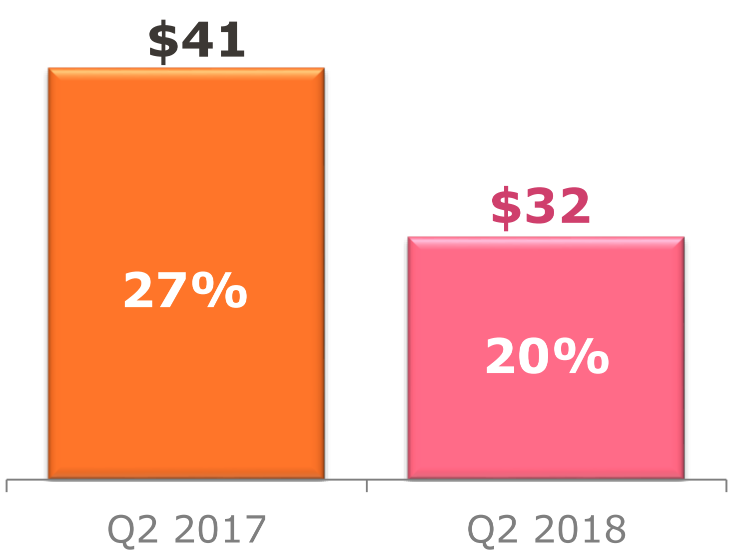
SECOND QUARTER MEDICAL DEVICE PERFORMANCE

- Medical Devices sales increased 8% to $161 million, driven by:
  - 7% constant currency driven by 5% volume increase, 2% favorable mix/price
  - Continued strength in Interventional Pain, including higher conversion to multi-probe kits
  - Share gains in alternative site market and launch of 14 French Mic-Key GJ tube
  - Strong demand for Ballard closed suction systems
- Increased investments and expected dis-synergies impacted operating profit

Medical Device Net Sales



Medical Device Operating Profit



SECOND QUARTER PERFORMANCE

- Adjusted EBITDA was $36 million, compared to $51 million
- Adjusted gross margin from continuing operations expanded 230 bps to 60%
  - Expect low 60's Medical Device adjusted gross margin to continue
- Net income totaled $23 million, compared to $24 million a year ago
- Earned adjusted diluted EPS of $0.48
- Performance benefited from:
  - Medical Device sales at the high-end of planning assumption
  - Lower than anticipated SG&A; expect to accelerate in back-half
  - Lower than expected adjusted effective tax rate

BALANCE SHEET AND CASH FLOW

- Ended the quarter with $531 million of cash
- Repaid Term Loan of $299 million
- Approximately $750 million acquisition capacity
- Free cash flow was an $108 million outflow
  - Largely attributable to the classification and timing of cash flows related to S&IP divestiture
  - $11 million in capital spending, primarily for new IT system
- Balance sheet remains strong

2018 OUTLOOK AND PLANNING ASSUMPTIONS

- Raising adjusted diluted EPS from $1.65 to $1.85 to **$1.75** to **$1.90**
  - Includes both continuing and discontinued operations
- Updating the following planning assumptions:
  - Medical Device sales growth of 5% to 7%, in constant currency and excluding Game Ready
  - Adjusted effective tax between 23% and 25%
- Reaffirming the balance of planning assumptions

SECOND QUARTER SUMMARY

- Continued sales momentum
- Delivered earnings ahead of plan
- Solid financial profile
- Well-positioned to invest in growth opportunities

Q&A

APPENDICIES

2018 Outlook Summary

Non-GAAP Reconciliations

2018 OUTLOOK SUMMARY

	June 21 Investor and Analyst Conference	August 7
Adjusted diluted earnings per share Includes continuing and discontinued operations	$1.65 to $1.85	**$1.75 to $1.90**
Medical Device net sales, constant currency and excluding Game Ready	4% to 6%	**5% to 7%**
FX translation impact on net sales	Even	Even
Adjusted effective tax rate	25% to 27%	**23% to 25%**
Dis-synergies from S&IP divestiture	$15M to $20M	$15M to $20M

Bold orange text indicates updated outlook

NON-GAAP RECONCILLIATIONS
In millions

	Gross Profit			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
As reported	**$ 94.7**	$ 84.5	**$ 185.8**	$ 166.0
Restructuring and IT charges	**0.6**	-	**0.6**	-
Acquisition-related charges	**-**	0.7	**-**	1.2
Spin-related transition charges	**-**	(0.3)	**-**	(0.3)
Intangibles amortization	**1.0**	0.9	**1.9**	1.9
As adjusted non-GAAP	**$ 96.3**	$ 85.8	**$ 188.3**	$ 168.8

	Operating Profit (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
As reported	**$ 8.8**	$ (12.1)	**$ 1.8**	$ (29.7)
Restructuring and IT charges	**3.9**	-	**6.8**	-
Post divestiture transition (benefit) charges	**(3.3)**	-	**(3.3)**	-
Acquisition-related charges	**0.3**	1.7	**0.3**	3.3
Spin-related transition charges	**-**	-	**-**	0.5
Litigation and legal	**1.2**	5.7	**2.9**	13.7
Intangibles amortization	**4.7**	5.1	**9.2**	10.4
As adjusted non-GAAP	**$ 15.6**	$ 0.4	**$ 17.7**	$ (1.8)

NON-GAAP RECONCILLIATIONS
In millions

	Income (Loss) Before Income Taxes			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
As reported	**$ 1.1**	$ (19.4)	**$ (13.7)**	$ (44.2)
Restructuring and IT charges	**3.9**	-	**6.8**	-
Post divestiture transition (benefit) charges	**(3.3)**	-	**(3.3)**	-
Term Loan B retirement loss	**4.2**	-	**4.2**	-
Acquisition-related charges	**0.3**	1.7	**0.3**	3.3
Spin-related transition charges	**-**	-	**-**	0.5
Litigation and legal	**1.2**	5.7	**2.9**	13.7
Intangibles amortization	**4.7**	5.1	**9.2**	10.4
As adjusted non-GAAP	**$ 12.1**	$ (6.9)	**$ 6.4**	$ (16.3)

	Income Tax (Provision) Benefit			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
As reported	**$ 0.2**	$ 8.0	**$ 3.7**	$ 17.9
Effective tax rate, as reported	***-18.2%***	*41.2%*	***27.0%***	*40.5%*
Restructuring and IT charges	**(1.0)**	-	**(1.8)**	-
Post divestiture transition (benefit) charges	**0.9**	-	**0.9**	-
Term Loan B retirement loss	**(1.1)**	-	**(1.1)**	-
Acquisition-related charges	**(0.1)**	(0.6)	**(0.1)**	(1.2)
Spin-related transition charges	**-**	0.1	**-**	(0.1)
Litigation and legal	**(0.2)**	(2.2)	**(0.7)**	(5.2)
Intangibles amortization	**(1.1)**	(1.9)	**(2.3)**	(4.0)
As adjusted non-GAAP	**$ (2.4)**	$ 3.4	**$ (1.4)**	$ 7.4
Effective tax rate, as adjusted	***19.8%***	*49.3%*	***21.9%***	*45.4%*

NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	Income (Loss) from Continuing Operations			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
As reported	**$ 1.3**	$ (11.4)	**$ (10.0)**	$ (26.3)
Diluted EPS, as reported	**$ 0.03**	$ (0.24)	**$ (0.21)**	$ (0.56)
Restructuring and IT charges	**2.9**	-	**5.0**	-
Post divestiture transition (benefit) charges	**(2.4)**	-	**(2.4)**	-
Term Loan B retirement loss	**3.1**	-	**3.1**	-
Acquisition-related charges	**0.2**	1.1	**0.2**	2.1
Spin-related transition charges	**-**	0.1	**-**	0.4
Litigation and legal	**1.0**	3.5	**2.2**	8.5
Intangibles amortization	**3.6**	3.2	**6.9**	6.4
As adjusted non-GAAP	**$ 9.7**	$ (3.5)	**$ 5.0**	$ (8.9)
Diluted EPS, as adjusted	**$ 0.20**	$ (0.07)	**$ 0.11**	$ (0.19)

	Income from Discontinued Operations, net of tax			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
As reported	**$ 34.0**	$ 28.5	**$ 65.5**	$ 56.2
Diluted EPS, as reported	**$ 0.70**	$ 0.61	**$ 1.39**	$ 1.20
Divestiture-related charges	**3.9**	-	**12.9**	-
Gain on Divestiture	**(24.5)**	-	**(24.5)**	-
Spin-related transition charges	**-**	(1.1)	**-**	(1.0)
Intangibles amortization	**-**	0.1	**-**	0.3
As adjusted non-GAAP	**$ 13.4**	$ 27.5	**$ 53.9**	$ 55.5
Diluted EPS, as adjusted	**$ 0.28**	$ 0.59	**$ 1.15**	$ 1.19

NON-GAAP RECONCILLIATIONS

In millions, except per share amounts

	Net Income			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
As reported	**$ 35.3**	$ 17.1	**$ 55.5**	$ 29.9
Diluted EPS, as reported	**$ 0.73**	$ 0.37	**$ 1.18**	$ 0.64
Restructuring and IT charges	**2.9**	-	**5.0**	-
Post divestiture transition (benefit) charges	**(2.4)**	-	**(2.4)**	-
Divestiture-related charges	**3.9**	-	**12.9**	-
Gain on Divestiture	**(24.5)**	-	**(24.5)**	-
Term Loan B retirement loss	**3.1**	-	**3.1**	-
Acquisition-related charges	**0.2**	1.1	**0.2**	2.1
Spin-related transition charges	**-**	(1.0)	**-**	(0.6)
Litigation and legal	**1.0**	3.5	**2.2**	8.5
Intangibles amortization	**3.6**	3.3	**6.9**	6.7
As adjusted non-GAAP	**$ 23.1**	$ 24.0	**$ 58.9**	$ 46.6
Diluted EPS, as adjusted	**$ 0.48**	$ 0.51	**$ 1.25**	$ 1.00

NON-GAAP RECONCILLIATIONS
In millions, except per share amounts

	EBITDA			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
EBITDA, as reported	**$ 118.5**	$ 45.4	**$ 160.4**	$ 87.9
Restructuring and IT charges	**3.9**	-	**6.8**	-
Post divestiture transition (benefit) charges	**(3.3)**	-	**(3.3)**	-
Divestiture-related charges	**5.2**	-	**17.4**	-
Gain on Divestiture	**(89.9)**	-	**(89.9)**	-
Acquisition-related charges	**0.3**	1.6	**0.3**	3.0
Spin-related transition charges	**-**	(1.5)	**-**	(0.8)
Litigation and legal	**1.2**	5.7	**2.9**	13.7
Adjusted EBITDA	**$ 35.9**	$ 51.2	**$ 94.6**	$ 103.8

	Free Cash Flow			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cash (used in) provided by operating activities	**$ (96.7)**	$ 19.7	**$ (70.4)**	$ 56.7
Capital expenditures	**(11.1)**	(6.4)	**(20.7)**	(16.6)
Free Cash Flow	**$ (107.8)**	$ 13.3	**$ (91.1)**	$ 40.1