



HALYARD

Steve Voskuil

Chief Financial Officer



Morgan Stanley Leveraged Finance Conference

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FORWARD-LOOKING INFORMATION

Certain matters in this presentation 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 and in today's earnings release posted on our website (www.halyardhealth.com/investors).

AGENDA

HALYARD HEALTH OVERVIEW

HALYARD HEALTH TRANSFORMATION

2016 RESULTS

FINANCIAL PROFILE

Q&A

HALYARD HEALTH OVERVIEW

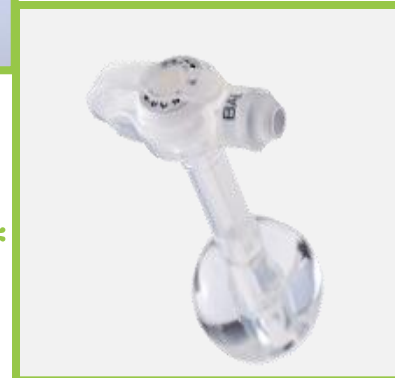
Focused on preventing infection, eliminating pain, and speeding recovery

- Transforming into a leading Medical Devices company
- Broad business mix diversified across geographies and end markets
- Leading positions across large, attractive markets
- Global infrastructure and scale
- Strong cash flow and disciplined financial policies

COOLIEF*



MIC-KEY*



DIVERSIFIED PRODUCT PORTFOLIO

Leading Share Positions

Medical Devices



Interventional Pain



Surgical Pain



Digestive Health



Respiratory Health



S&IP



Infection Prevention



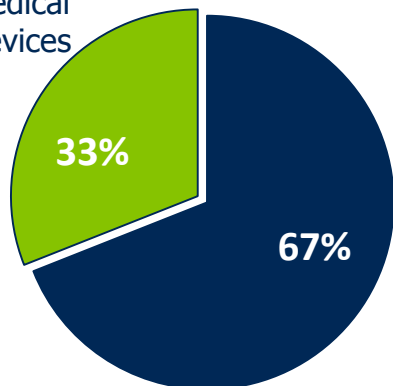
Surgical Solutions



Net Sales by Segment (1)

2015

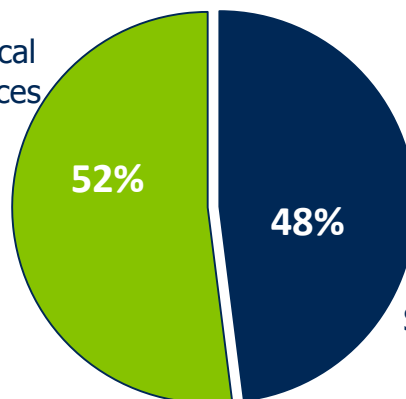
Medical Devices



Operating Profit by Segment(2)

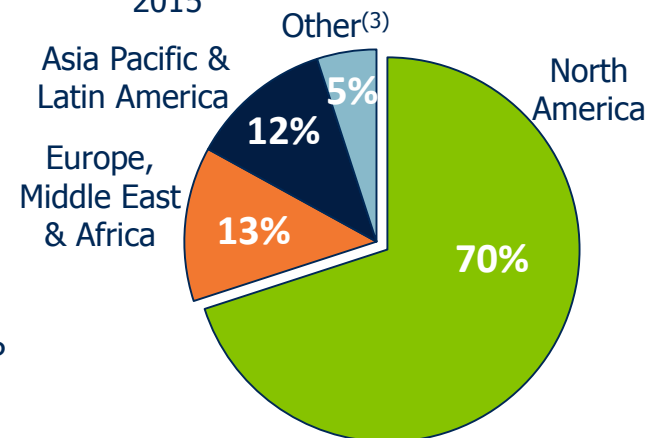
2015

Medical Devices



Net Sales by Region

2015



1. Excludes Corporate and other.

2. Excludes Corporate and other, goodwill impairment and other income and expense.

3. Includes related party sales to Kimberly-Clark.

HALYARD TRANSFORMATION

Transform Portfolio to Medical Devices

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 Device Focus *(2018 and beyond)*

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

HALYARD TRANSFORMATION

PORTFOLIO



- Focused shift to Medical Devices
- Investment in Pain categories
- Execute M&A
- Increase R&D investment

COMPANY



- IT rationalization
- Tax structure
- Operational efficiencies

CULTURE



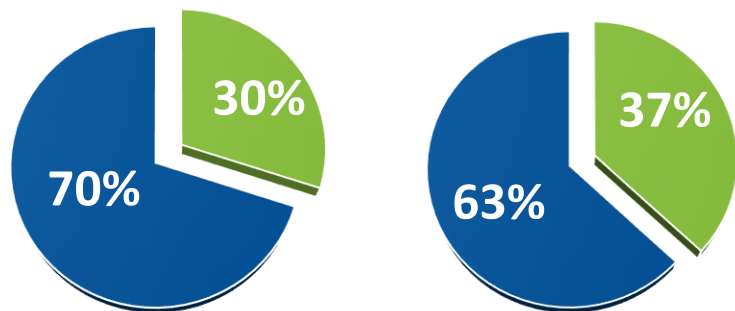
- Growth mindset
- Healthcare focus
- Lean and fast organization

HALYARD TRANSFORMATION

First Two Years as an Independent Company

Sales Mix

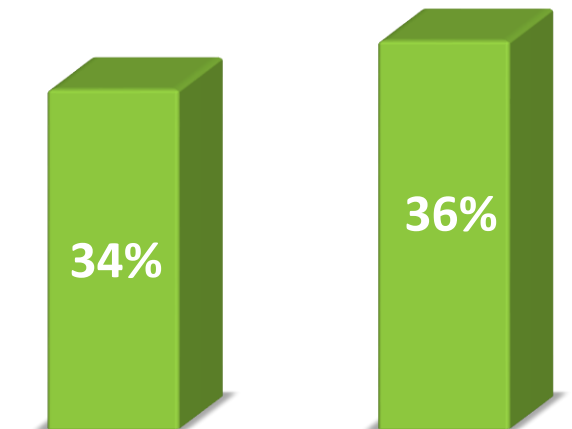
Medical Devices 
S&IP 



Q4 2014

Q3 2016

Adjusted Gross Margin



Q1 2015

Q3 2016

Medical Devices Research & Development



Q4 2014

Q3 2016

Free Cash Flow

\$ in Millions



FY 2015

YTD 2016

2016 OBJECTIVES

Executing our Objectives

- ✓ Accelerate pain platform growth
- ✓ Deliver 2016 S&IP plan
- ✓ Complete CORPAK acquisition
- ✓ Invest in innovation to help fuel growth
- ✓ Advance company transformation



DELIVERING OUR 2016 PLAN

Year-to-Date September 30, 2016

- Reported adjusted diluted EPS of \$1.47
- Increased EPS guidance by \$0.32
- Net sales of \$1,182 million
- Medical Devices sales totaled \$413 million; a 10 percent increase from the prior year
- S&IP sales totaled \$760 million; a 1 percent decline from a year ago compared to a 6 percent decline in 2015
- Generated free cash flow of \$122 million



FUELING GROWTH PIPELINE

CORPAK Acquisition

- Enteral Feeding leader with a diversified portfolio
 - Segment-leading nasogastric tubes sold worldwide
 - Innovative products include CORTRAK® Enteral Access System
 - Call points and manufacturing process fit into our business
- CORPAK results better than expected
- Leveraging Digestive Health portfolio to fuel additional growth



OUR COURSE FORWARD

Focus on Organic Innovation

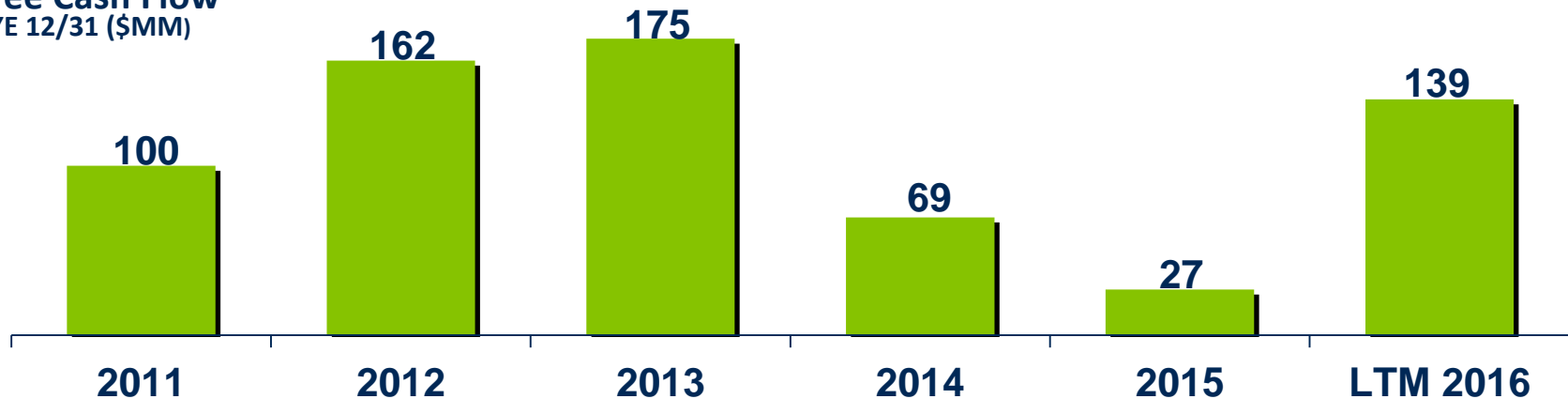
- Doubling R&D investment
 - New product introductions
 - Differentiate portfolio
 - Maintain market-leading positions
- Launched seven new products
 - On track to launch 10 in 2016
- Continued commitment to:
 - Improving patient outcomes and safety
 - Reducing cost of care



BALANCE SHEET AND CASH FLOW

- Exceeding 2016 free cash flow expectations
- Ended third quarter with \$87 million of cash
- YTD generated free cash flow of \$122 million
- Cash flow allocated to repay CORPAK borrowing
- Rebuilding acquisition capacity

Free Cash Flow¹
FYE 12/31 (\$MM)



1. Defined as Cash Flow from Operations less Capex

DISCIPLINED CAPITAL ALLOCATION APPROACH

2016 Summary

- Fund capital plan and provide for business investment
 - Capital spending approximately \$30 million
 - Maintain pace at 2-3 percent of net sales
- Accelerate organic innovation
 - Increase in research and development funding
- Fund acquisition strategy
 - Focus on Medical Devices categories
 - Ability to de-lever and maintain current rating
 - Draw \$72 million on the revolver to fund CORPAK acquisition
 - Paid down \$62 million in five months
 - Balance to be repaid by the end of 2016



DISCIPLINED APPROACH TO M&A

Our Criteria

1 STRATEGIC FIT

- Disposables
- Current categories
- New adjacencies

2 ATTRACTIVE GROWING MARKETS

- Large and growing
- Favorable dynamics
- Large potential

3 SHAREHOLDER VALUE CREATION

- Synergies
- Top-line growth
- Margin expansion

4 FINANCIAL HURDLES

- Cash accretive deal
- Hurdle rate above 9%
- Immediate synergies



KEY TAKEAWAYS

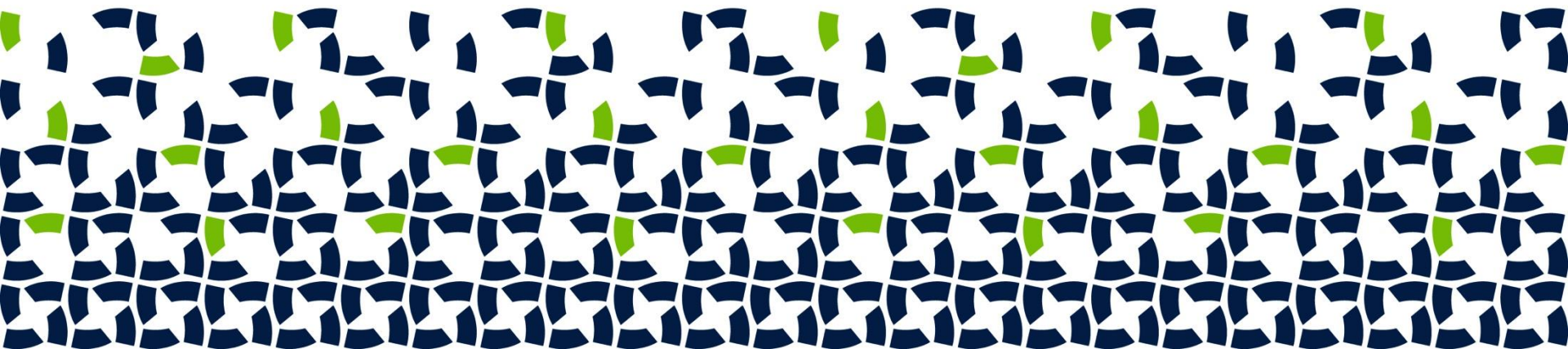
1. Advancing transformation into a leading Medical Devices company

2. Delivering our 2016 plan and fueling growth

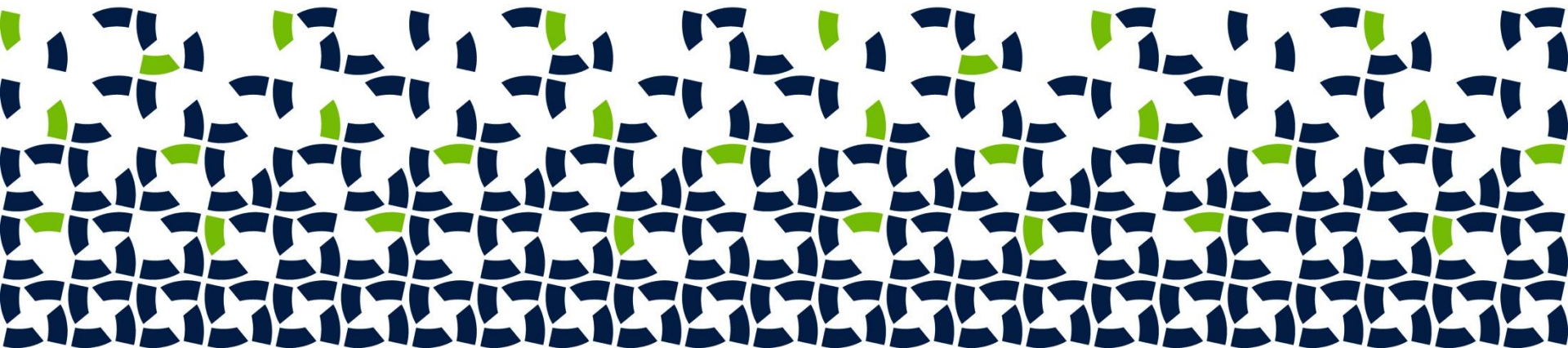
3. Successfully integrating CORPAK

4. Funding growth investments with our strong balance sheet and ability to generate cash

Q&A



APPENDICES



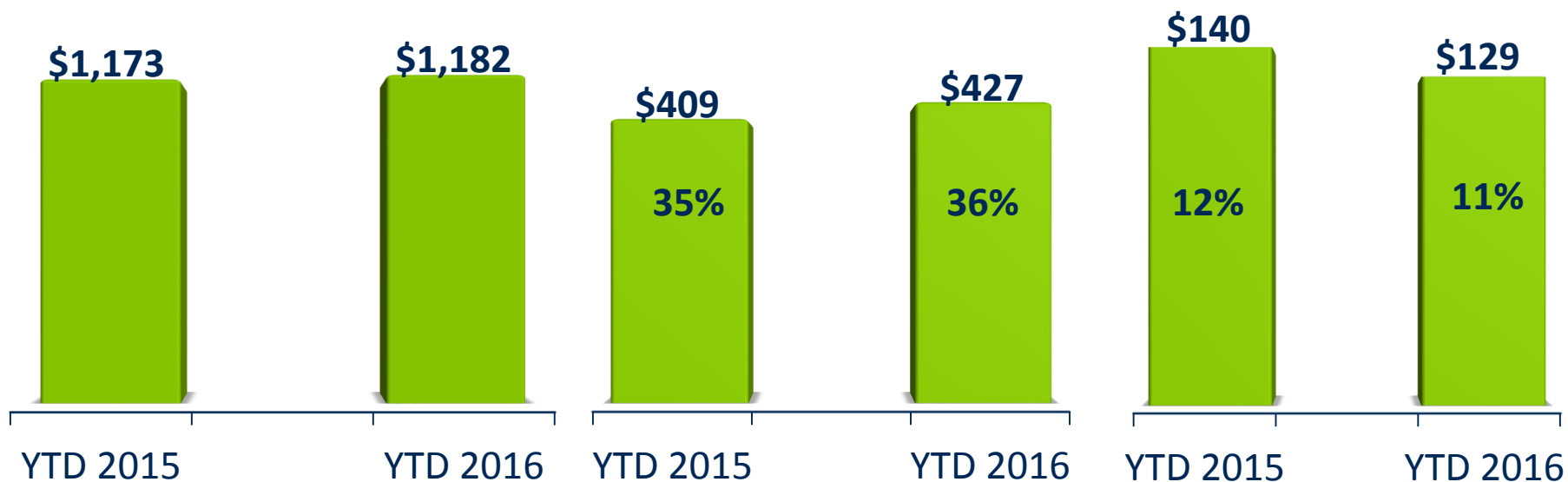
YEAR-TO-DATE CONSOLIDATED PERFORMANCE

In millions

Total Net Sales

Adjusted Gross Profit

Adjusted Operating Profit

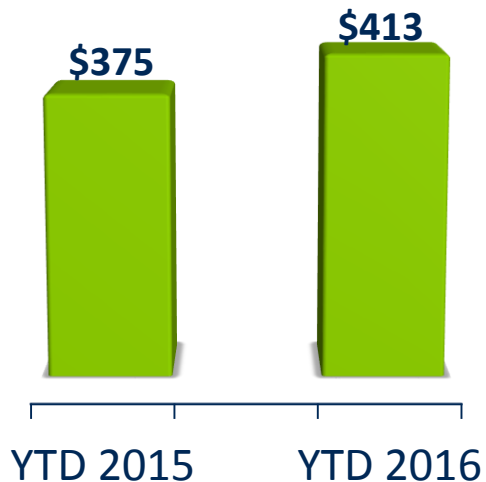


- Net sales driven by higher volume in Exam Gloves and across all product categories in Medical Devices; these benefits were partially offset by lower prices in S&IP.
- Adjusted gross margin aided by product mix and favorable currency exchange rates.
- Adjusted operating profit impacted by higher SG&A expense and R&D investment to help fuel growth.

YEAR-TO-DATE MEDICAL DEVICES

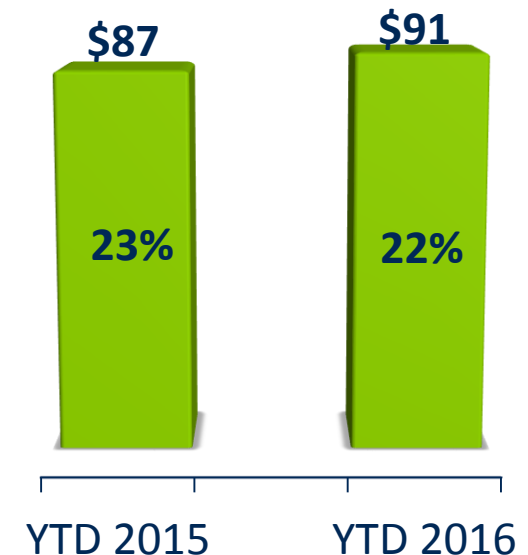
In millions

Devices Net Sales



Change in NS	YTD
Total Change	10%
Volume	4%
Price/Mix	-%
Currency	-%
Other	6%

Operating Profit

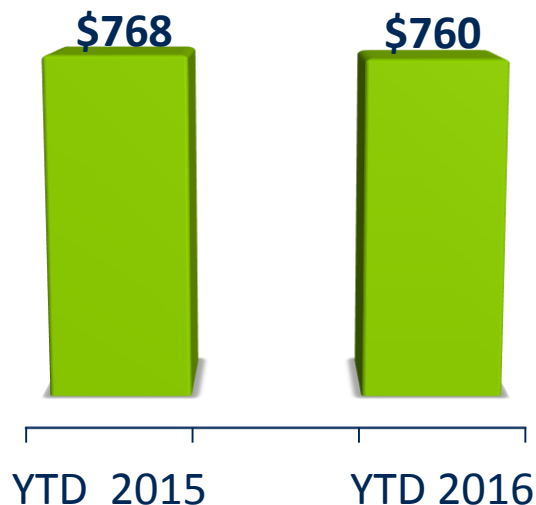


- Sales increase driven by CORPAK and organic growth across all product categories.
- Higher volumes and favorable currency exchange rates drove operating profit, which was partially offset by higher R&D investment to support growth

YEAR-TO-DATE S&IP

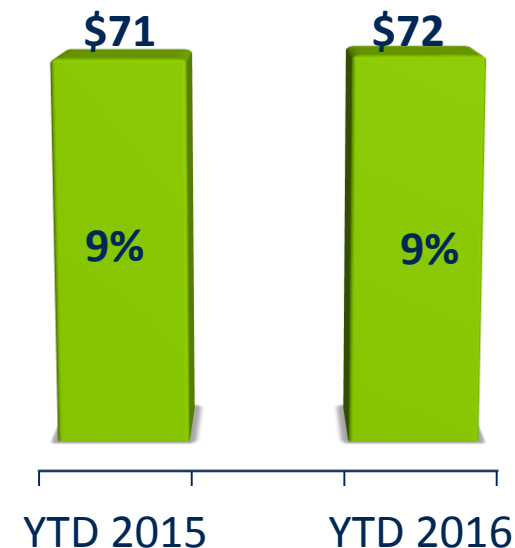
In millions

S&IP Net Sales



Change in NS	YTD
Total Change	-%
Volume	4%
Price/Mix	-3%
Currency	-1%
Other	-%

Operating Profit



- Higher sales volumes in Exam Gloves was partially offset by expected lower volumes in Surgical Drapes and Gowns.
- Lower net selling prices of 3 percent also affected sales.
- Favorable currency exchange rates and manufacturing savings were offset by lower selling prices, primarily in Exam Gloves.

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>					28.3%	-0.3%	37.1%	-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>					34.2%	36.0%	33.8%	37.2%

NON-GAAP RECONCILIATIONS

In millions

	Net Income			
	Three Months Ended September 30,		Nine Months Ended 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 September 30,		Nine Months Ended 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 September 30, 2016	Three Months Ended March 31, 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 September 30, 2016	Nine Months Ended September 30, 2016	Twelve Months Ended December 31, 2015
Cash Provided by Operating Activities	\$ 49.9	\$ 143.9	\$ 97.6
Capital expenditures	(7.6)	(21.7)	(70.4)
Free Cash Flow	\$ 42.3	\$ 122.2	\$ 27.2

	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>	<u>to \$ 1.05</u>