

AVANOS

**FIRST
QUARTER
2020
EARNINGS
CALL**

May 6, 2020

AGENDA AND SPEAKERS



Joe Woody
Chief Executive Officer

COVID-19 Response
Progress Against 2020 Priorities



Michael Greiner
*Senior Vice President and
Chief Financial Officer*

Actions to Address Pandemic
First Quarter Financial Performance

Q&A

OVERVIEW

FORWARD-LOOKING INFORMATION

Certain matters in this presentation and conference call, including our 2020 outlook, expectations and planning assumptions, and any estimates, projections, and statements relating to our business plans, objectives, acquisitions and transformation initiatives, 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, risks related to the ongoing COVID-19 pandemic, competition, market demand, economic condition, S&IP separation execution and IT implementation, availability of drugs used in our Acute Pain products, other supply chain disruptions 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 Annual Report on 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).

PLAYING LEADERSHIP ROLE IN TREATING COVID-19 PATIENTS

- Providing clinically proven medical device solutions to improve quality of life
- WHO calls for using a closed suction system on mechanically-ventilated patients when COVID-19 is suspected
- Avanos BALLARD* Closed Suction System
 - Maintains ventilation and oxygen therapy throughout the suctioning procedure
 - Helps reduce patient risk of exposure to outside pathogens and cross-contamination to caregiver
- CORTRAK being used in the placement and confirmation of nasogastric tubes for early nutrition

EXECUTING VISION OF GETTING PATIENTS BACK TO THINGS THAT MATTER



- Accelerating the exploration of respiratory innovations that can help provide and expand care in the future
- Partnering with Dr. Niklason and her team at Yale University School of Medicine to evaluate novel respiratory solutions for ventilated patients

FOCUSING ON THREE PRIORITIES DURING PANDEMIC

- Maintaining the health and safety of our employees and their families
- Ensuring a sufficient supply of our Respiratory Health products used in treating COVID-19 patients
- Preserving our strong financial position and ensuring we remain well-positioned to support customers when elective procedures return

MAINTAINING HEALTH AND SAFETY OF EMPLOYEES

- Non-manufacturing employees working remotely
- Remain connected with our employees through frequent communications
- At the onset, implemented precautionary measures
- Senior leadership team meets almost daily and provides frequent updates to BOD
- Manufacturing facilities continue operating
 - Instituted additional rigorous safety precautions
- Pandemic challenged inventory management for NeoMed
 - Anticipated risk and implemented mitigation plan ensuring products remained available
- Employees' dedication is a testament to the strength of the Avanos team



KEEPING WITH OUR CULTURE OF COMMUNITY INVOLVEMENT



- Helping frontline workers who do so much for all of us
- Donated \$250,000 to Direct Relief for the purchase of PPE
- Initiated a program whereby our employees can nominate charities that support frontline workers to receive cash donations

ENSURING RESPIRATORY HEALTH PRODUCTS REMAIN AVAILABLE

- Increase demand for Respiratory Health and Corpak products
- Added shifts to our Magdalena plant ensuring closed suction catheters remain available
- Digestive Health team delivered virtual training for caregivers using CORTRACK
- Cross-functional teams ensured customers received products they needed
- Implemented allocation process to help minimize hoarding and backorders
- Clinically-preferred Respiratory and Digestive Health portfolio essential in treating COVID-19 patients



PRESERVING SOLID FINANCIAL POSITION

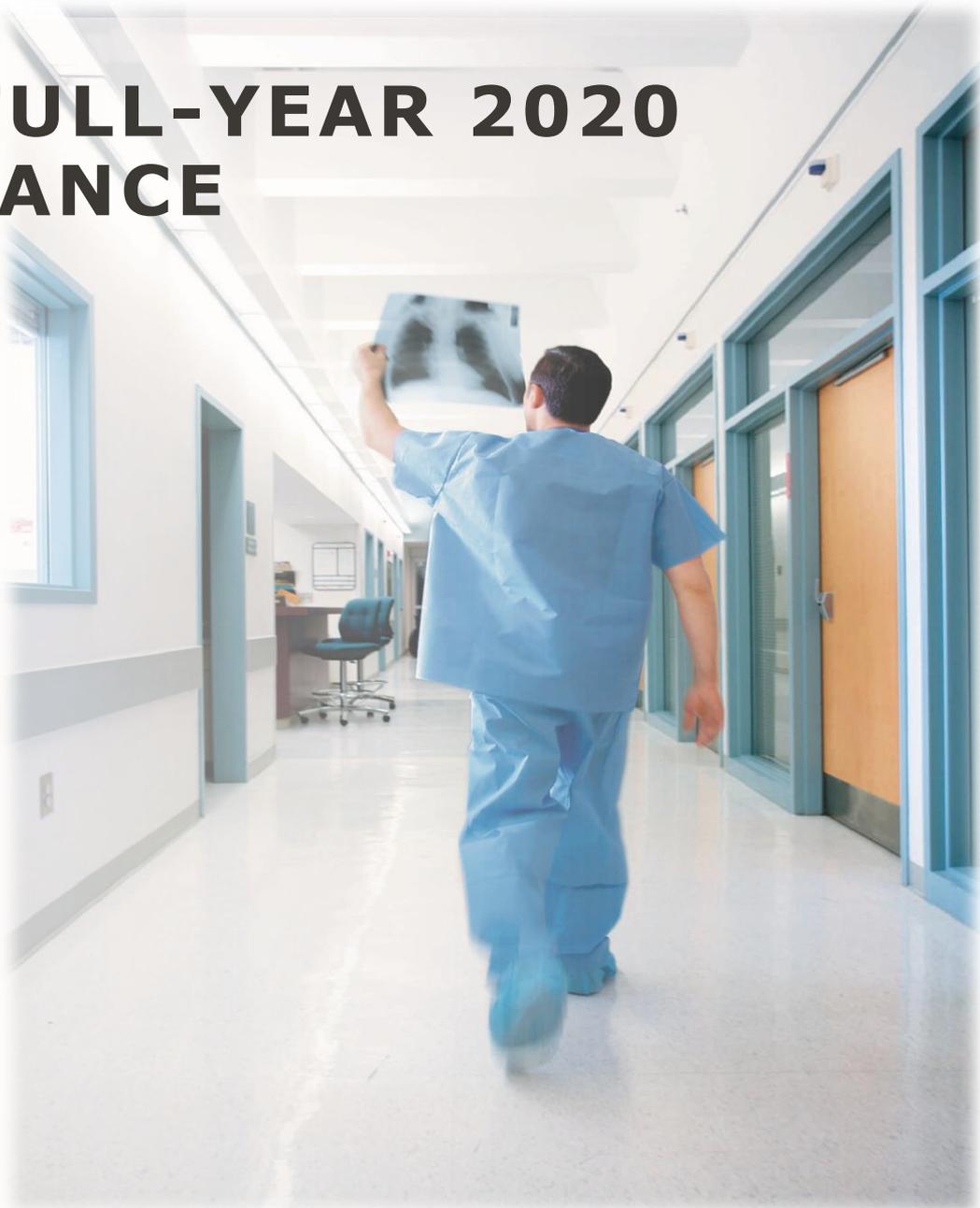
- Confident existing cash position is sufficient to navigate disruption
- Taking disciplined steps to preserve cash
 - Strategically reducing capital expenditures
 - Cutting discretionary spending
 - Suspending 2020 planned merit increases
- Strategic steps are in addition to the \$12-\$16 million of previously announced cost savings
- Use tax relief provisions provided in CARES Act to enhance cash flow
- Long-term business fundamentals remain strong
 - Solid financial position
 - Market-leadership across portfolio
 - Operate in attractive markets
- Strategic actions position us to meet customers' needs post COVID-19

FIRST QUARTER PERFORMANCE

- Sales totaled \$180 million
- Earned \$0.16 of adjusted diluted earnings per share
- Sales in line with plans until mid-March
 - Franchises impacted by COVID-19
- In 2nd half of March saw tailwind to closed suction catheters and related Respiratory Health products
- Momentum offset by postponement of elective procedures impacting Pain Management
- Headwind will continue thru second quarter and to a lesser extent into second half of the year

WITHDRAWING FULL-YEAR 2020 FINANCIAL GUIDANCE

- Uncertainties continue around the scope and duration of the impact of COVID-19
- Cannot fully quantify impact of pandemic on financial results
- Withdrawing previously announced full-year 2020 financial guidance provided February 25, 2020
- Anticipate providing more detailed updates later this year



PROGRESSING ON 2020 PRIORITIES

- Building sales momentum
 - Launched state-of-the-art 80-watt COOLIEF* RF generator
 - KOL published article that supports COOLIEF* in the treatment of OA knee pain
- Integrating recent acquisitions: Game Ready, NeoMed and Summit
 - NeoMed's growth exceeded our expectations for the quarter
 - Game Ready and Summit sales impacted by decline in elective procedures



PROGRESSING ON 2020 PRIORITIES

- Current environment impacting generating free cash flow for the year
 - No longer anticipate generating positive free cash flow this year
 - Implementing mitigation actions
 - Using opportunities in CARES Act to help maintain strong liquidity position and minimize cash outflow
- Continuing progress on stabilizing new IT system
 - Before pandemic, expected to enter 2H20 with IT challenges behind us
 - Now, expect few areas of work to continue into 2H20

ΔVΔNOS: A PURE-PLAY MEDICAL DEVICE COMPANY

- Continue to manage challenges with strategic focus
- Confident long-term fundamentals remain strong
- Taking prudent actions to preserve cash
- Well-positioned to weather this storm and maintain strong financial position post COVID-19

FIRST QUARTER 2020 RESULTS

Michael Greiner

SVP and Chief Financial Officer

TAKING STRATEGIC ACTIONS IN RESPONSE TO COVID-19

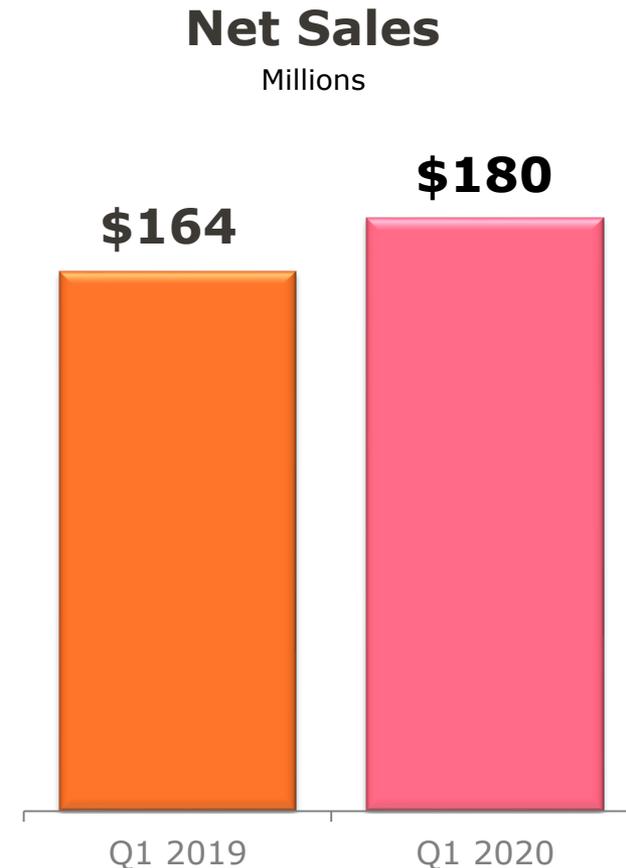
- Withdrawing full-year 2020 financial guidance announced on February 25, 2020
- Modeling multiple cash flow sensitivity analyses
 - Sufficient cash to meet working capital and core investment needs and maintain compliance with debt covenants
 - No scenario required accessing revolving credit facility
 - Anticipate ending the year with more than \$100 million of cash, under the most bearish scenario
- \$188 million cash, minimal leverage and no debt maturities unto 2022
- Plan to use tax law changes in CARES Act to carryback 2019 loss and defer 2020 payroll tax payments

PRESERVING SOLID FINANCIAL POSITION

- Ensuring the company is well-positioned to be opportunistic in normalized environment
- Taking strategic and prudent steps to lower expenses:
 - Suspended 2020 merit increase for all salaried, non-manufacturing employees
 - Streamlining processes and leaving non-critical positions vacant
 - Identified investment spending that can be postponed
 - Reducing travel and entertainment for the balance of the year
 - Decreasing overall capital expenditures and selectively increasing capex for Respiratory Health products
- Continue to evaluate fluid situation and will quickly react to help strengthen already solid financial position

FIRST QUARTER PERFORMANCE

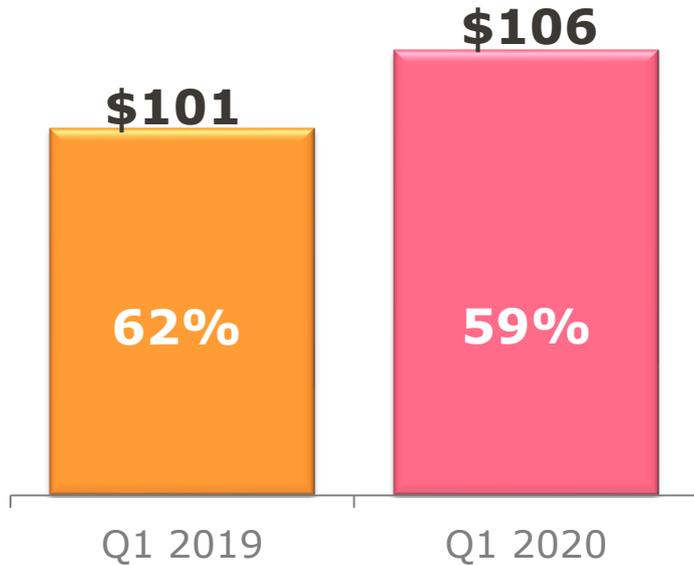
- Net sales increased 10% to \$180 million
 - Organic sales grew 3%
 - Volume growth of 4%
 - Unfavorable price and sales mix, impacted results by -1%
 - NeoMed and Summit acquisitions contributed 7% of growth
- Chronic Care grew 16%
 - Driven by NeoMed and Respiratory Health products related to coronavirus
- Pain Management sales grew 1%
 - COOLIEF sales grew more than 20% first 2 months
 - Double-digit sequential growth in customers sourcing through Leiters
- International delivered 6% organic growth



FIRST QUARTER PERFORMANCE

Adjusted Gross Profit and Margin

Millions



- Adjusted gross margin contraction due to unfavorable product sales mix and higher distribution costs

Adjusted Operating Profit and Margin

Millions

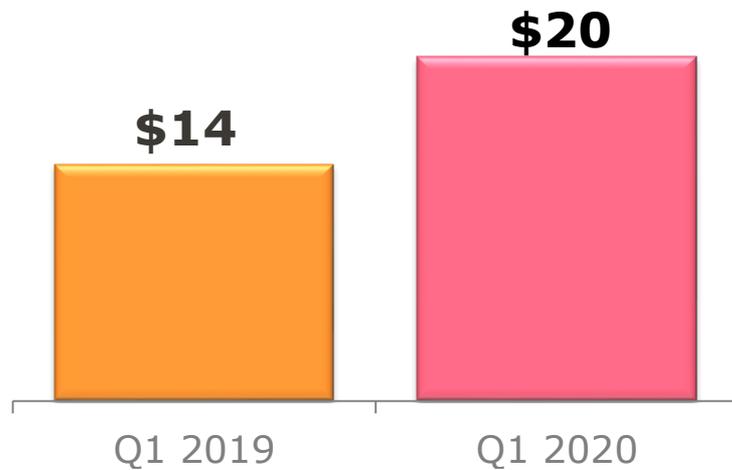


- Adjusted operating profit driven by higher sales and cost savings partially offset by lower gross margin

FIRST QUARTER PERFORMANCE

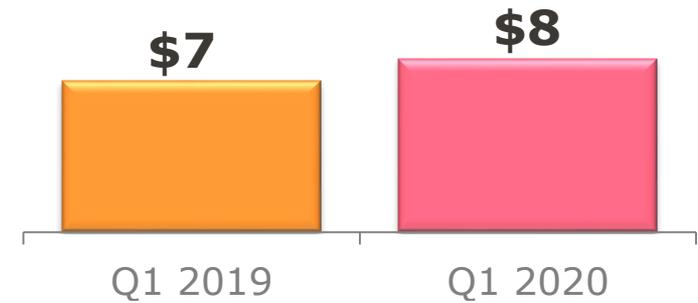
Adjusted EBITDA

Millions



Adjusted Net Income

Millions



ENSURING FINANCIAL PROFILE AND LIQUIDITY REMAIN STRONG

- Delivered solid quarter from operational and execution standpoint
- Impacted by the pandemic, but remain resilient
- Ensuring products that are in most need are supplied with great quality
- Confident actions will ensure strong financial profile post COVID-19

AVANOS

The best at getting patients back to the things that matter

APPENDICIES

Non-GAAP Reconciliations

NON-GAAP RECONCILIATIONS

In millions

	Gross Profit	
	Three Months Ended March 31,	
	2020	2019
As reported	\$ 102.1	\$ 98.8
<i>Gross profit margin, as reported</i>	56.6 %	60.2 %
COVID-19 related expenses	0.4	-
Post divestiture restructuring and IT charges	0.5	0.6
Post divestiture transition charges	0.8	0.4
Acquisition and integration-related charges	0.1	-
Intangibles amortization	1.7	1.3
As adjusted non-GAAP	\$ 105.6	\$ 101.1
<i>Gross profit margin, as adjusted</i>	58.5 %	61.6 %

	Operating Profit	
	Three Months Ended March 31,	
	2020	2019
Operating profit, as reported	\$ 0.6	\$ (24.6)
COVID-19 related expenses	0.5	-
Post divestiture restructuring and IT charges	0.5	2.0
Post divestiture transition charges	4.0	18.7
Acquisition and integration-related charges	1.8	0.7
Litigation and legal	2.2	8.7
Intangibles amortization	4.8	4.9
As adjusted non-GAAP	\$ 14.4	\$ 10.4

NON-GAAP RECONCILIATIONS

In millions

	(Loss) Income Before Taxes	
	Three Months Ended March 31,	
	2020	2019
As reported	\$ (3.0)	\$ (25.9)
COVID-19 related expenses	0.5	-
Post divestiture restructuring and IT charges	0.5	2.0
Post divestiture transition charges	4.0	18.7
Acquisition and integration-related charges	1.8	0.7
Litigation and legal	2.2	8.7
Intangibles amortization	4.8	4.9
As adjusted non-GAAP	\$ 10.8	\$ 9.1

	Tax Benefit (Provision)	
	Three Months Ended March 31,	
	2020	2019
As reported	\$ 6.7	\$ 5.6
<i>Effective tax rate, as reported</i>	223.3 %	21.6 %
Tax effects of adjusting items	(3.6)	(7.8)
Effects of the CARES Act and other	(6.0)	-
As adjusted non-GAAP	\$ (2.9)	\$ (2.2)
<i>Effective tax rate, as adjusted</i>	26.9 %	24.2 %

NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	Net Income (Loss)	
	Three Months Ended March 31,	
	2020	2019
As reported	\$ 3.7	\$ (20.3)
Diluted EPS, as reported	\$ 0.08	\$ (0.43)
COVID-19 related expenses	0.5	-
Post divestiture restructuring and IT charges	0.5	2.0
Post divestiture transition charges	4.0	18.7
Acquisition and integration-related charges	1.8	0.7
Litigation and legal	2.2	8.7
Intangibles amortization	4.8	4.9
Tax effects	(3.6)	(7.8)
Tax effects of the CARES Act	(6.0)	-
As adjusted, non-GAAP	\$ 7.9	\$ 6.9
Diluted EPS, as adjusted	\$ 0.16	\$ 0.15

NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	EBITDA	
	Three Months Ended March 31,	
	2020	2019
EBITDA, as reported	\$ 11.2	\$ (16.2)
COVID-19 related expenses	0.5	-
Post divestiture restructuring and IT charges	0.5	2.0
Post divestiture transition charges	4.0	18.7
Acquisition and integration-related charges	1.8	0.7
Litigation and legal	2.2	8.7
Adjusted EBITDA	\$ 20.2	\$ 13.9

	Free Cash Flow	
	Three Months Ended March 31,	
	2020	2019
Cash used in operating activities	\$ (5.8)	\$ (23.1)
Capital expenditures	(5.2)	(12.5)
Free Cash Flow	\$ (11.0)	\$ (35.6)