AVANOS

FOURTH QUARTER 2021 EARNINGS CALL

FEBRUARY 23, 2022

AGENDA AND SPEAKERS

Joe Woody
Chief Executive Officer

Update on Full Year
Progress Against 2021 Priorities

Q&A

Michael Greiner
Senior Vice President and Chief Financial Officer

Review Fourth Quarter Results
Discuss 2022 Planning Assumptions

OVERVIEW

FORWARD-LOOKING INFORMATION

Certain matters in this presentation and conference call, including expectations and planning assumptions, including any comments about our expected 2022 performance, 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 risks related to the ongoing COVID-19 pandemic, competition, market demand, cost savings and reductions, raw material, energy, and other input costs, supply chain disruptions including availability of drugs used in our Acute Pain products, economic conditions, currency exchange risks, human capital risks, cyber risks, intellectual property risks, 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).

REFLECTION ON PERFORMANCE

- Encouraged by our commercial team's resiliency in response to challenging dynamics brought on by pandemic
- Remain focused on getting patients back to the things that matter as we meet needs of customers

MEETING CHALLENGES IN THE QUARTER

- Ended the year with a solid quarter
- Net Sales increased 5% to $193 million
- Earned $0.46 of adjusted diluted EPS
- Delivered solid results in Digestive Health (double-digit growth) and Interventional Pain product categories
- Omicron variant impacted elective procedures, slowing sales of ON-Q

FOURTH QUARTER PERFORMANCE

- Gross margin improved 40 basis points compared to third quarter
- Transportation and other manufacturing challenges remain
- Confident that gross margin headwinds are transitory and not permanent change to our operating structure
- Gross margin should range between 55% and 57% for full year 2022

OPERATING EXPENSE EFFICIENCIES

- Additional efficiencies reduced operating expenses
- Finding ways to increase productivity and lower cost structure
- Offsetting some gross margin headwinds
- Commitment remains to deliver SG&A as percent of revenue less than 40% on annualized go-forward basis

SOLID REVENUE OUTCOMES ACROSS PRODUCT PORTFOLIO IN 2021

- Digestive Health up 9% globally versus prior year and up 11% in North America
- Respiratory Health down versus prior year primarily related to pandemic-related push from prior year
- Interventional Pain grew 18% versus prior year
- Acute Pain improved 3% versus prior year
- 2022 organic growth anticipated between 3% and 6%

ENHANCED PRODUCT OFFERINGS STRENGTHEN PAIN MANAGEMENT PROFILE

- Successful launch of next generation COOLIEF cooled radiofrequency probe kits in Q4
- New probes make it easier for physicians to perform COOLIEF procedures
- Strengthens cooled radiofrequency leadership position

ENHANCED PRODUCT OFFERINGS STRENGTHEN PAIN MANAGEMENT PROFILE

- Started to see benefits from PainBlock Pro
  - Differentiated app and data collection solutions to track, monitor, and improve patient outcomes
  - Helps us engage patients and improve their experience
- Delivering electronic pump ambIT into ASC setting to capture additional procedure volumes

STRENGTHENING GROWTH PROFILE IN CHRONIC CARE

- Positive trend in Digestive Health continues
- Maintained double-digit growth in NeoMed
- CORPAK Standard of Care strategy accelerating CORTRAK hardware sales to record levels
- Excluding prior year pandemic tailwind in Respiratory Health, sales were flat

MARGIN EXPANSION REMAINS PRIORITY

- Ability to meet our customers' needs for product availability and exceed our revenue targets for the year
- Remain focused on recapturing gross margin loss since start of pandemic
- Confident we can attain high 50% gross margin during second half of 2022

FREE CASH FLOW GENERATION

- Ability to generate consistent and repeatable cash flow
- Generated $66 million of free cash flow for the year, $47 million in Q4, $18 million in Q3 and $10 million in Q2
- Excluding one-time tax and legal settlements, generated $26 million of normalized free cash flow for the year
- Continue to focus on generating improved operating results and disciplined working capital management

DEPLOYING CAPITAL TOWARDS M&A

- M&A pipeline remains healthy
- Opportunity to leverage existing footprint, generate synergies, and enhance top-line growth profile
- Closed acquisition of OrthogenRx in January 2022
- Remain disciplined in identifying targets that meet strategic initiatives and exceed financial hurdles
- Ensure generation of strong return on capital

AVANOS: SOLID 2021 SETS STAGE FOR 2022

- Product portfolio resilience
- Supply chain stabilized and improving
- Ability to leverage our fixed cost operating expenses
- All material outstanding litigation has been resolved
- Execute on recent acquisition of OrthogenRx
- Will build quarter-over-quarter momentum throughout 2022

Fourth Quarter 2021 Results

Michael Greiner

Senior Vice President and

Chief Financial Officer

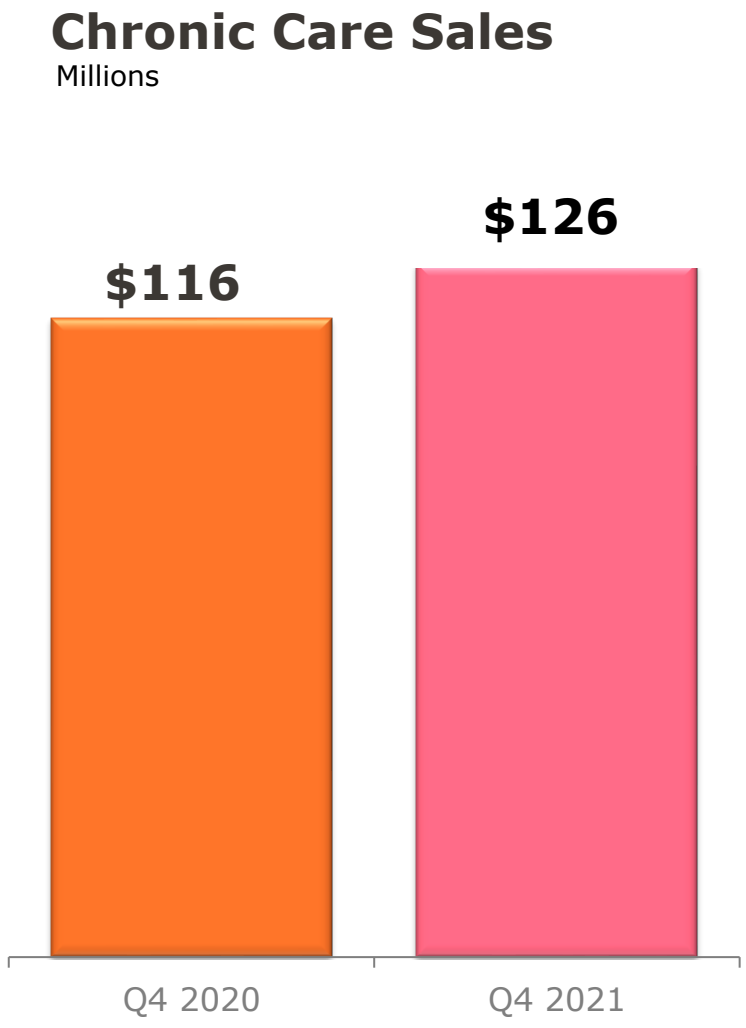
TEAM OVERCOMING CHALLENGES

- Progress against 2021 value creation initiatives establish baseline for a solid 2022
  - Mid-single-digit top-line growth
  - Improved operating margin
  - Consistent free cash flow generation
  - M&A execution
- Total sales of $193 million increased 5% versus prior year

CHRONIC CARE FOURTH QUARTER NET SALES

Net sales totaled $193 million

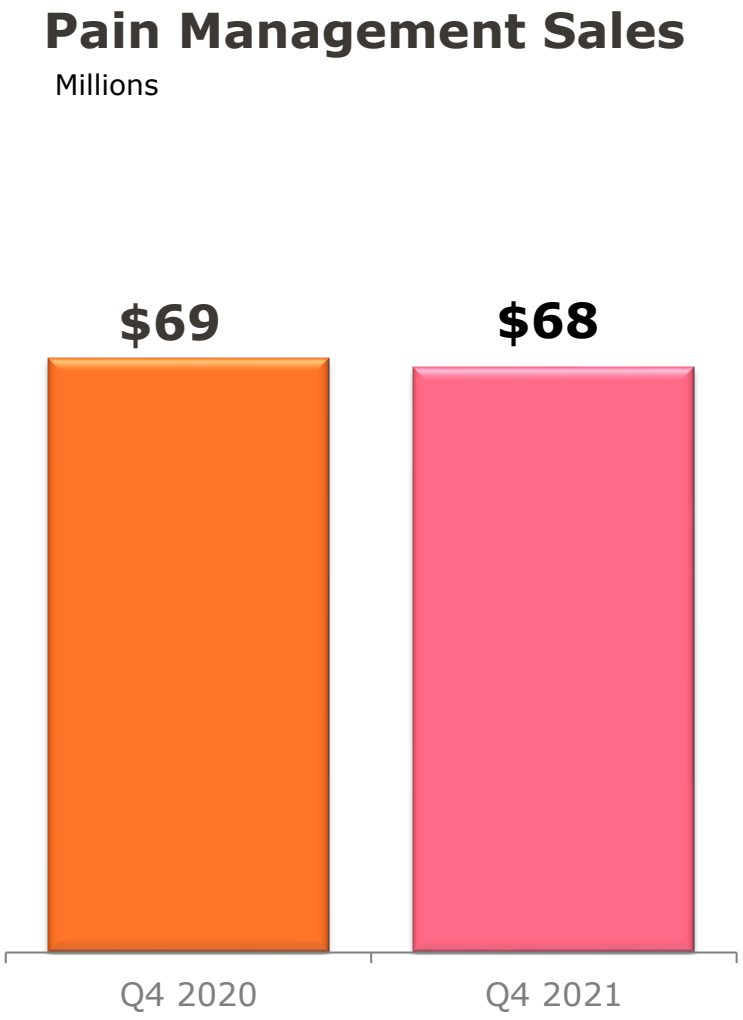
- Chronic Care sales increased 8% to $126 million
- $3 million prior year pandemic tailwind for Respiratory Health
  - Adjusting for 2020 tailwind Respiratory Health sales would have been flat
  - No meaningful growth in our closed-suction catheters despite spread of the Omicron COVID variant
  - No additional benefit from pandemic and a normal start to cold and flu season assumed in back half of 2021
- Double-digit growth in Digestive Health
  - NeoMed grew 47% from continued conversion to ENFit



PAIN FOURTH QUARTER NET SALES

Net sales totaled $193 million

- Pain Management sales of $68 million, less than 2% behind prior year
- Sales growth hampered from impacts brought on by the Omicron variant and a slowdown in electives
- Partially offset by introduction of PainBlock Pro, channel partner growth and expansion into the ASC
- Supply constraints and raw material shortages have impacted our ability to meet demand within the Game Ready business

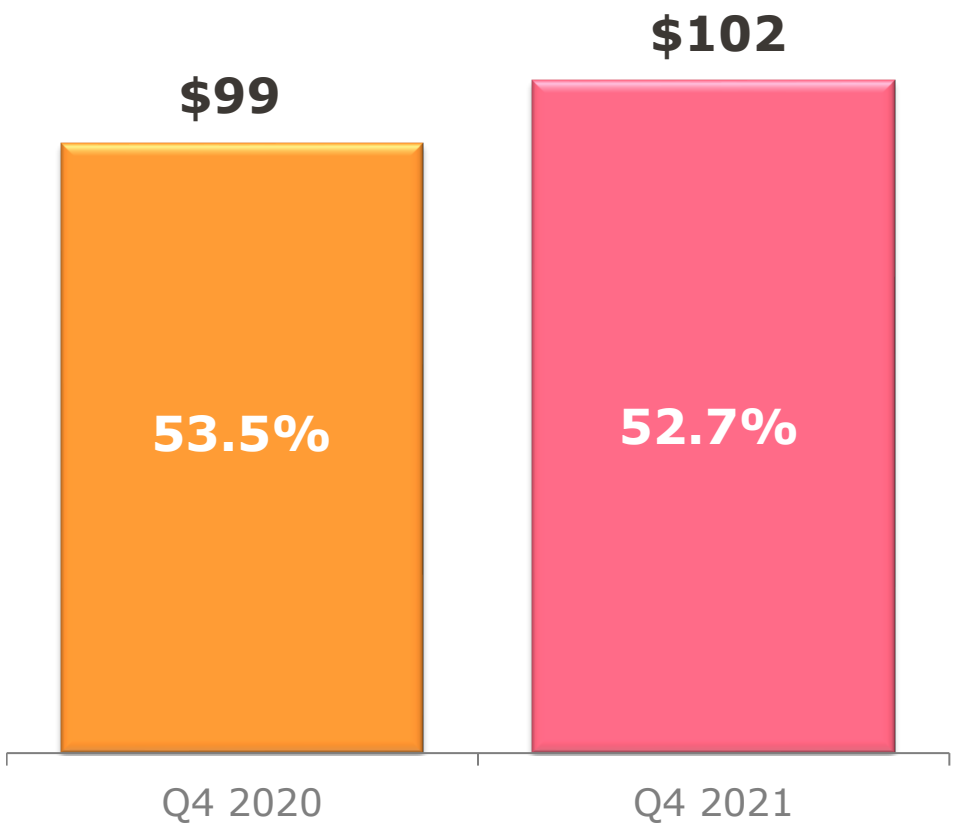


FOURTH QUARTER PERFORMANCE

Operating Margin improvement

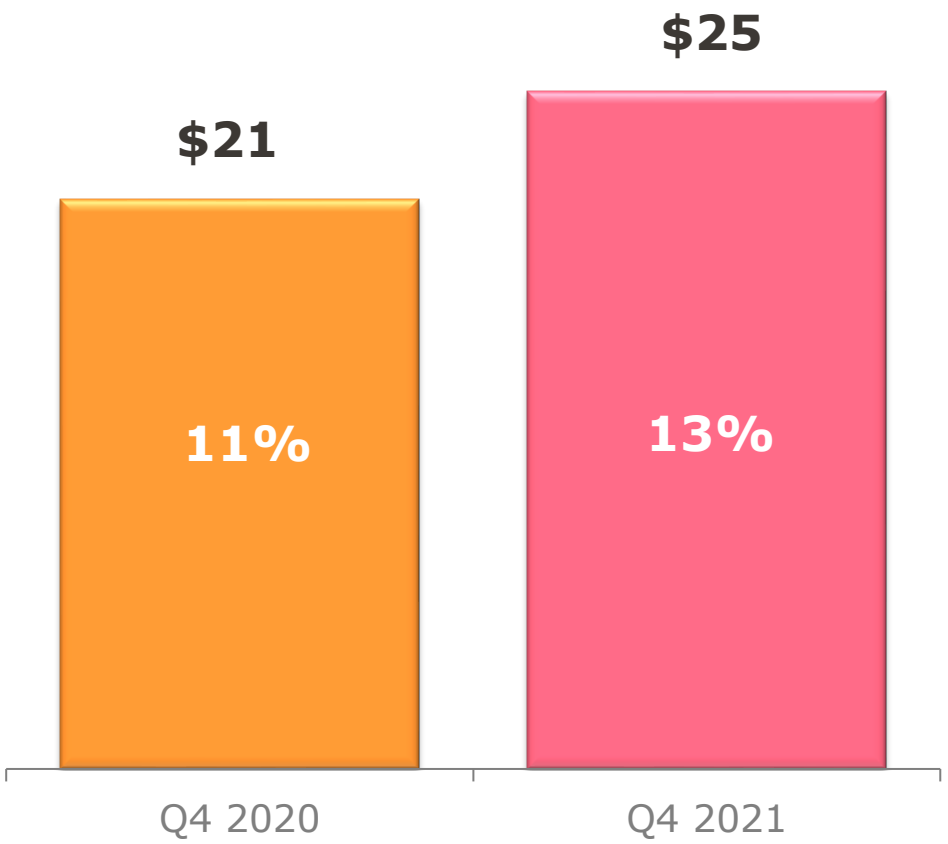
Adjusted Gross Profit and Margin

Millions



Adjusted Operating Profit and Margin

Millions

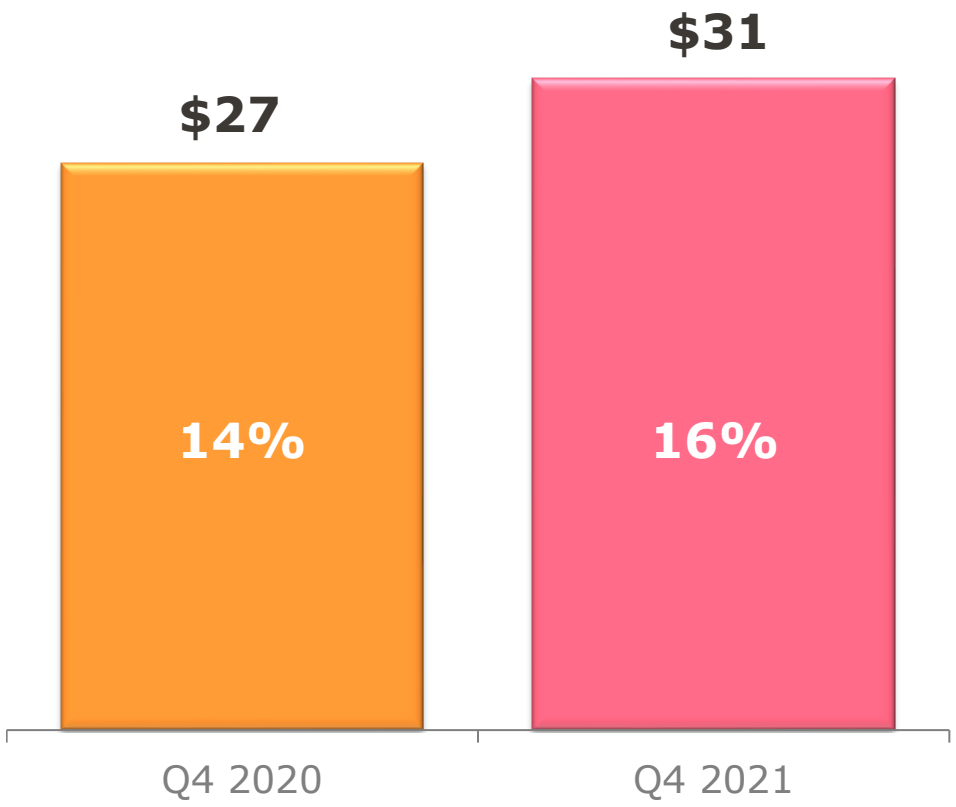


FOURTH QUARTER PERFORMANCE

Earned $0.46 of Adjusted Diluted EPS

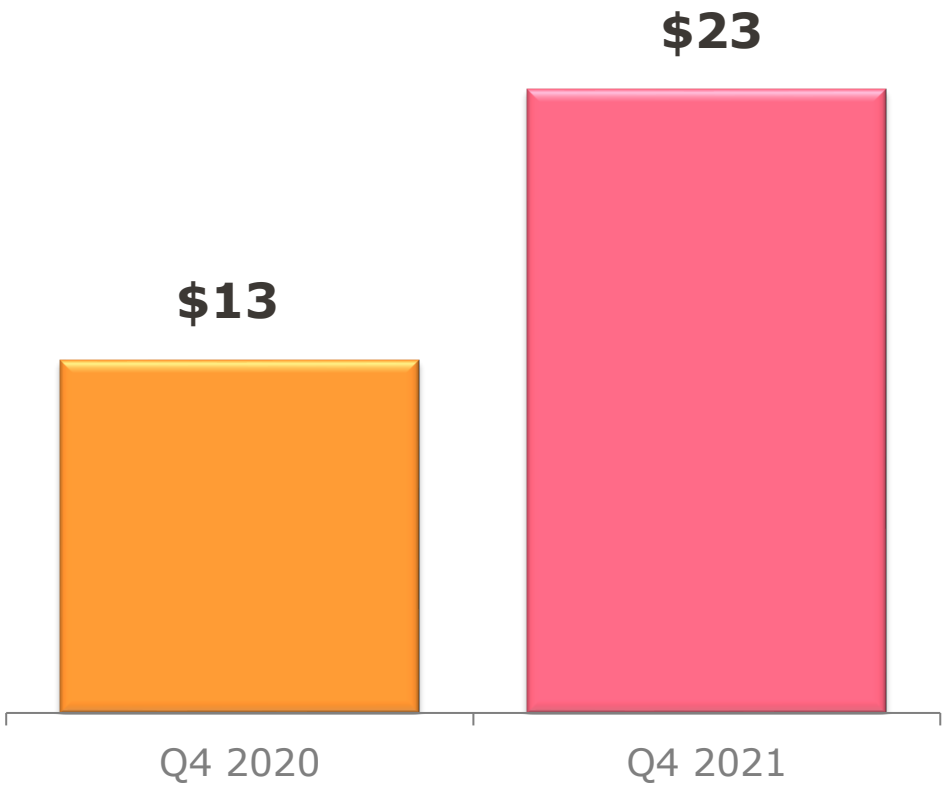
Adjusted EBITDA

Millions



Adjusted Net Income

Millions



BALANCE SHEET AND CASH FLOW

- Keeping healthy balance sheet and generating meaningful cash flow remain key go-forward priority
- Currently have $115 million of cash on hand
- $255 million debt outstanding
- Over $350 million of capacity towards capital priorities

FULL YEAR 2021 PERFORMANCE

- Achieved top end of our net sales guidance at 3.9% sales growth excluding Maxter discontinued products on a constant currency basis (guidance of 2 to 4%) to $745 million
- Adjusted gross margin was just over 52% compared to 55.6% a year ago
  - 2021 adjusted gross margin reflects the impact of higher freight costs, inflation (raw material and labor) and inconsistent plant performance
- Managed our SG&A/R&D cost structure to offset headwinds in gross margin
- Adjusted operating profit totaled $73 million, compared to $66 million a year ago
- Achieved adjusted diluted EPS of $1.15 through higher sales volume, operating expenses leveraging and tax benefit

LOOKING AHEAD TO 2022

- Unpredictability of the Coronavirus remains
- Inflation likely to persist
- 2022 Assumptions
  - Organic net sales growth of **3% to 6%** in constant currency
  - Return to **historical growth rates** for Chronic Care and Pain products
  - OrthogenRx incremental sales of **$70 million** for the year
  - Gross margin improvement of **300 to 500 bps** inclusive of OrthogenRx
  - Continued SG&A spend control, **below 40%** of sales
  - Free Cash Flow should **exceed $90 million** with limited one-time expenses
  - Adjusted diluted EPS should range from **$1.55 to $1.75**

AVANOS: WELL-POSITIONED TO DELIVER GROWTH AND MARGIN EXPANSION

- Confident in ability to execute strategy
- Will take necessary steps to drive gross and operating margin improvement and deliver significant free cash flow as we look towards 2022

AVANOS

The best at getting patients back to the things that matter

APPENDICES

Non-GAAP Reconciliations

NON-GAAP RECONCILIATIONS

In millions

	Gross Profit			
	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
As reported	**$ 96.9**	$ 88.9	**$ 364.3**	$ 373.3
COVID-19 related expenses	**—**	0.6	**—**	4.9
2020 Restructuring charges	**0.1**	1.1	**4.2**	1.1
Post divestiture restructuring charges	**2.8**	0.8	**8.3**	2.8
Post divestiture transition charges	**0.3**	5.9	**4.1**	7.6
Acquisition and integration-related charges	**0.2**	0.1	**0.3**	0.9
Intangibles amortization	**1.7**	1.6	**6.7**	6.6
As adjusted, non-GAAP	**$ 102.0**	$ 99.0	**$ 387.9**	$ 397.2
Gross profit margin, as reported	**50.1 %**	48.1 %	**48.9 %**	52.2 %
Gross profit margin, as adjusted	**52.7 %**	53.5 %	**52.1 %**	55.6 %

	Operating Profit (Loss)			
	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
As reported	**$ 25.0**	$ (44.8)	**$ 8.9**	$ (46.1)
COVID-19 related expenses	**0.1**	1.0	**0.3**	7.9
2020 Restructuring charges	**2.0**	27.6	**12.4**	27.6
Post divestiture restructuring charges	**4.7**	0.8	**10.2**	2.2
Post divestiture transition charges	**0.3**	6.7	**3.9**	14.9
Acquisition and integration-related charges	**0.9**	2.9	**1.6**	12.5
EU MDR Compliance	**1.6**	—	**4.0**	—
Litigation and legal	**(13.5)**	21.7	**15.0**	27.5
Intangibles amortization	**4.2**	4.8	**16.7**	19.4
As adjusted, non-GAAP	**$ 25.3**	$ 20.7	**$ 73.0**	$ 65.9

NON-GAAP RECONCILIATIONS

In millions

	Income (Loss) Before Taxes			
	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
As reported	**$ 24.3**	$ (47.4)	**$ 5.8**	$ (60.5)
COVID-19 related expenses	**0.1**	1.0	**0.3**	7.9
2020 Restructuring charges	**2.0**	27.6	**12.4**	27.6
Post divestiture restructuring charges	**4.7**	0.8	**10.2**	2.2
Post divestiture transition charges	**0.3**	6.7	**3.9**	14.9
Acquisition and integration-related charges	**0.9**	2.9	**1.6**	12.5
EU MDR Compliance	**1.6**	—	**4.0**	—
Litigation and legal	**(13.5)**	21.7	**15.0**	27.5
Intangibles amortization	**4.2**	4.8	**16.7**	19.4
As adjusted, non-GAAP	**$ 24.6**	$ 18.1	**$ 69.9**	$ 51.5

	Tax Benefit (Provision)			
	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
As reported	**$ (14.3)**	$ 0.2	**$ (0.6)**	$ 33.3
Tax effects of adjusting items	**11.7**	(13.4)	**(11.9)**	(24.6)
Effects of the CARES Act and other	**0.7**	8.5	**(1.6)**	(22.5)
As adjusted non-GAAP	**$ (1.9)**	$ (4.7)	**$ (14.1)**	$ (13.8)
Effective tax rate, as reported	**58.9 %**	0.4 %	**10.0 %**	55.0 %
Effective tax rate, as adjusted	**7.7 %**	26.0 %	**20.2 %**	26.8 %

NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	Net Income (Loss)			
	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
As reported	**$ 10.0**	$ (47.2)	**$ 5.2**	$ (27.2)
COVID-19 related expenses	**0.1**	1.0	**0.3**	7.9
2020 Restructuring charges	**2.0**	27.6	**12.4**	27.6
Post divestiture restructuring charges	**4.7**	0.8	**10.2**	2.2
Post divestiture transition charges	**0.3**	6.7	**3.9**	14.9
Acquisition and integration-related charges	**0.9**	2.9	**1.6**	12.5
EU MDR Compliance	**1.6**	—	**4.0**	—
Litigation and legal	**(13.5)**	21.7	**15.0**	27.5
Intangibles amortization	**4.2**	4.8	**16.7**	19.4
Tax effects of adjusting items	**11.7**	(13.4)	**(11.9)**	(24.6)
Tax effects of the CARES Act and other	**0.7**	8.5	**(1.6)**	(22.5)
As adjusted, non-GAAP	**$ 22.7**	$ 13.4	**$ 55.8**	$ 37.7
Diluted EPS, as reported	**$ 0.21**	$ (0.99)	**$ 0.11**	$ (0.57)
Diluted EPS, as adjusted	**$ 0.46**	$ 0.28	**$ 1.15**	$ 0.79

NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	EBITDA			
	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
EBITDA, as reported	**$ 34.5**	$ (34.0)	**$ 47.2**	$ (3.2)
COVID-19 related expenses	**0.1**	1.0	**0.3**	7.9
2020 Restructuring charges	**2.0**	27.6	**12.4**	27.6
Post divestiture restructuring charges	**4.7**	0.8	**10.2**	2.2
Post divestiture transition charges	**0.3**	6.7	**3.9**	14.9
Acquisition and integration-related charges	**0.9**	2.9	**1.6**	12.5
EU MDR Compliance	**1.6**	—	**4.0**	—
Litigation and legal	**(13.5)**	21.7	**15.0**	27.5
Adjusted EBITDA	**$ 30.6**	$ 26.7	**$ 94.6**	$ 89.4

	Free Cash Flow			
	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Cash provided by (used in) operating activities	**$ 52.2**	$ 1.1	**$ 87.3**	$ (2.5)
Capital expenditures	**(4.8)**	(5.1)	**(21.0)**	(20.2)
Free Cash Flow	**$ 47.4**	$ (4.0)	**$ 66.3**	$ (22.7)

NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	2022 Outlook			
	Estimated Range			
Diluted earnings per share (GAAP)	$	1.05	to $	1.30
Intangibles amortization		0.25	to	0.25
Other		0.25	to	0.20
Adjusted diluted earnings per share (non-GAAP)	$	1.55	to $	1.75