



**HALYARD**

**RAYMOND JAMES INSTITUTIONAL  
INVESTORS CONFERENCE**

**Steve Voskuil  
SVP and CFO**

# OVERVIEW

## FORWARD-LOOKING INFORMATION

Certain matters in this presentation, including our 2017 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)).



- **BUILDING** on our momentum
- **LEVERAGING** our growth opportunities
- **DRIVING** our 2017 performance

# DELIVERED OUR 2016 PRIORITIES



## 2016 PLAN

- Delivered adjusted diluted EPS ahead of plan
- Produced sales in line with, or above, guidance
- Generated FCF 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)*

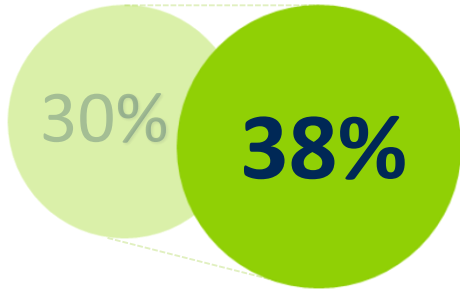
- Invest in growth initiatives
- Round out Medical Devices portfolio through strategic M&A

## Long-Term Devices Focus

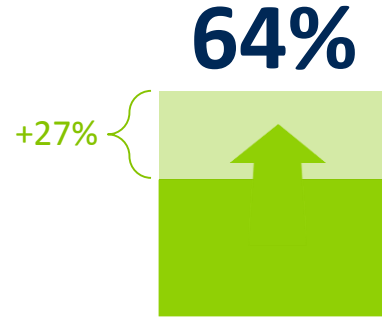
*(2018 and beyond)*

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

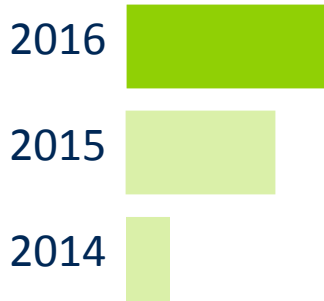
# ADVANCING OUR TRANSFORMATION PORTFOLIO



Medical Devices sales mix up from 30%  
Period Q4 2014 to Q4 2016



Share of Operating Profit from Medical Devices up from 37%  
Period Q4 2014 to Q4 2016



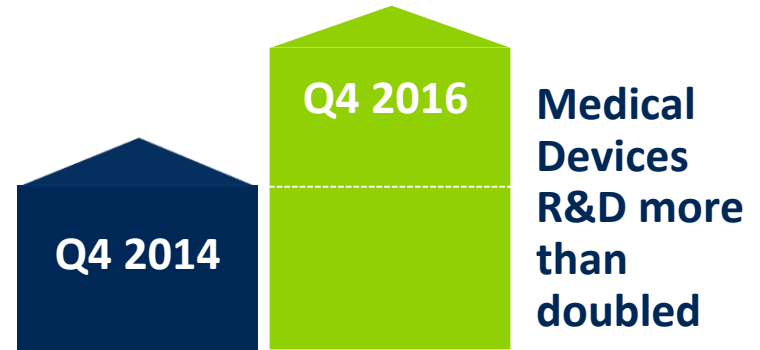
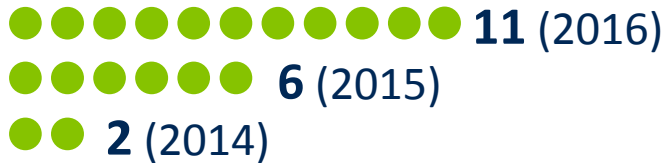
**+4%**  
Accelerating growth in Medical Devices

**310 bps**  
Adjusted Gross Margin expansion driven by portfolio shift  
Period Q1 2015 to Q4 2016

# ADVANCING OUR TRANSFORMATION PORTFOLIO



Increasing product launches  
and pipeline value



**\$160M**  
LTM  
FY 2016



Free Cash Flow helps fund  
growth investments

# HALYARD TRANSFORMATION





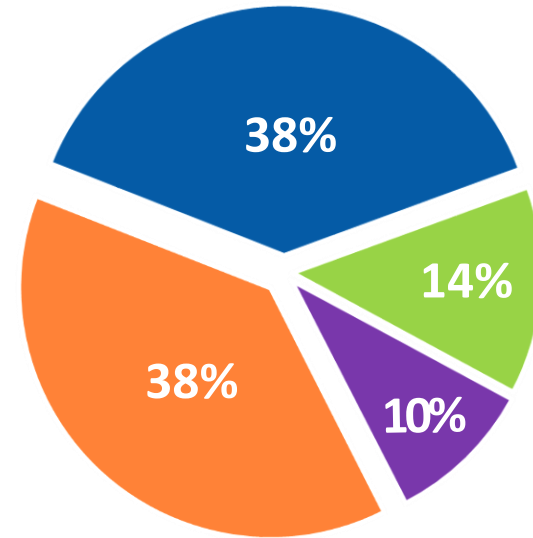
# LEVERAGING OUR GROWTH OPPORTUNITIES



## Leading Market Share Positions...



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



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

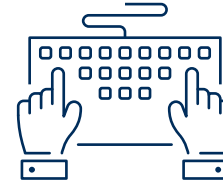
<sup>1</sup> Estimated global addressable market size based on industry data and internal market estimates.

# OUR COMPANY TRANSFORMATION



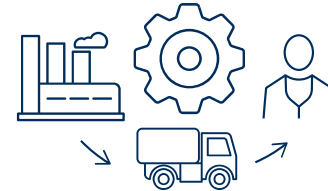
## DRIVING IT EFFICIENCIES

- Laying the foundation for systems consolidation



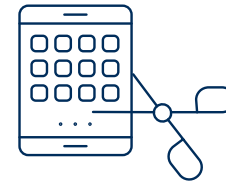
## ENHANCING SUPPLY CHAIN EFFICIENCIES

- Helping deliver an improvement in working capital



## REMAINING FOCUSED ON LONG-TERM TAX PLANNING

- 2016 adjusted effective tax rate of 31.9%



# OUR CULTURE TRANSFORMATION

- Driving thought leadership across the healthcare landscape
- Emphasizing value-based innovation
- Empowering team to make bold decisions



# DRIVING OUR 2017 PERFORMANCE



## 2017 PLAN

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



## FUELING GROWTH

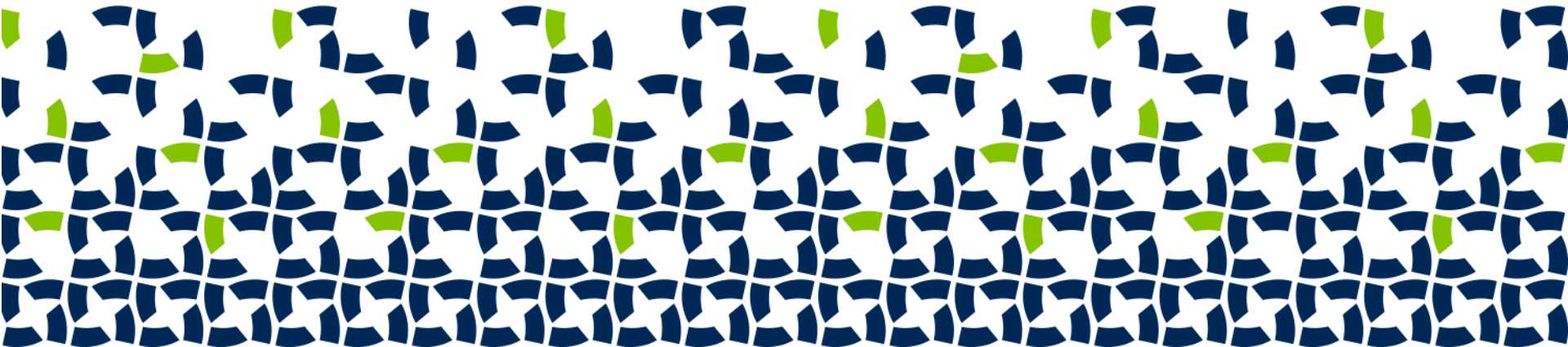
- Continue acquisition strategy
- Increase R&D investment
- Drive efficiencies



**HALYARD**



# APPENDICES



# NON-GAAP RECONCILIATIONS

In millions

	Gross Profit				Operating Profit			
	Three Months Ended		Year Ended		Three Months Ended		Year Ended	
	December 31,		December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015	2016	2015
As reported	\$ 142.7	\$ 133.6	\$ 557.9	\$ 531.6	\$ 15.8	\$ 20.5	\$ 87.4	\$ (377.7)
Spin-related transition charges	9.2	1.7	13.9	9.9	10.3	7.5	21.0	53.9
Manufacturing strategic changes	—	—	—	0.3	—	—	—	(12.0)
Acquisition-related charges	0.7	—	5.6	—	3.0	—	17.6	—
Goodwill impairment	—	—	—	—	—	(1.5)	—	474.0
Litigation and legal	—	—	—	—	5.0	7.8	20.1	16.9
Intangibles amortization	0.9	0.9	3.2	3.2	5.7	6.6	22.2	25.8
As adjusted non-GAAP	<u>\$ 153.5</u>	<u>\$ 136.2</u>	<u>\$ 580.6</u>	<u>\$ 545.0</u>	<u>\$ 39.8</u>	<u>\$ 40.9</u>	<u>\$ 168.3</u>	<u>\$ 180.9</u>

# NON-GAAP RECONCILIATIONS

In millions

	Income Before Taxes				Income Tax Provision			
	Three Months Ended December 31,		Year Ended December 31,		Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015	2016	2015	2016	2015
As reported	\$ 7.9	\$ 12.5	\$ 55.3	\$ (410.5)	\$ 2.1	\$ 2.0	\$ (15.5)	\$ (15.8)
<i>Effective tax rate, as reported</i>					-26.6%	-16.0%	28.0%	-3.8%
Spin-related transition charges	10.3	7.5	21.0	53.9	(2.9)	(3.4)	(6.9)	(21.1)
Manufacturing strategic changes	—	—	—	(12.0)	—	—	—	3.6
Acquisition-related charges	3.0	—	17.6	—	(1.2)	—	(6.7)	—
Goodwill impairment	—	(1.5)	—	474.0	—	—	—	—
Litigation and legal	5.0	7.8	20.1	16.9	(1.8)	(2.8)	(7.5)	(6.3)
Intangibles amortization	5.7	6.6	22.2	25.8	(2.0)	(2.2)	(8.3)	(9.6)
Regulatory tax changes	—	—	—	—	(2.4)	—	1.4	—
As adjusted non-GAAP	<u>\$ 31.9</u>	<u>\$ 32.9</u>	<u>\$ 136.2</u>	<u>\$ 148.1</u>	<u>\$ (8.2)</u>	<u>\$ (6.4)</u>	<u>\$ (43.5)</u>	<u>\$ (49.2)</u>
<i>Effective tax rate, as adjusted</i>					25.7%	19.5%	31.9%	33.2%



# NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	Net Income			
	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
As reported	\$ 10.0	\$ 14.5	\$ 39.8	\$ (426.3)
Diluted EPS, as reported	\$ 0.21	\$ 0.31	\$ 0.85	\$ (9.15)
Spin-related transition charges	7.4	4.1	14.1	32.8
Manufacturing strategic changes	—	—	—	(8.4)
Acquisition-related charges	1.8	—	10.9	—
Goodwill impairment	—	(1.5)	—	474.0
Litigation and legal	3.2	5.0	12.6	10.6
Intangibles amortization	3.7	4.4	13.9	16.2
Regulatory tax changes	(2.4)	—	1.4	—
As adjusted non-GAAP	\$ 23.7	\$ 26.5	\$ 92.7	\$ 98.9
Diluted EPS, as adjusted	\$ 0.50	\$ 0.57	\$ 1.97	\$ 2.11

# NON-GAAP RECONCILIATIONS

In millions

	EBITDA			
	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
Net income (loss)	\$ 10.0	\$ 14.5	\$ 39.8	\$ (426.3)
Interest expense, net	7.9	8.0	32.1	32.8
Income tax provision	(2.1)	(2.0)	15.5	15.8
Depreciation and amortization	16.8	16.8	65.2	65.4
EBITDA, as reported	32.6	37.3	152.6	(312.3)
Spin-related transition charges	10.3	7.5	21.0	53.1
Manufacturing strategic changes	—	—	—	(12.0)
Acquisition-related charges	2.6	—	17.0	—
Goodwill impairment	—	(1.5)	—	474.0
Litigation and legal	5.0	7.8	20.1	16.9
Adjusted EBITDA	<u>\$ 50.5</u>	<u>\$ 51.1</u>	<u>\$ 210.7</u>	<u>\$ 219.7</u>

# NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	Free Cash Flow			
	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Cash Provided by Operating Activities	\$ 44.9	\$ 23.0	\$ 188.8	\$ 97.6
Capital expenditures	(7.4)	(6.0)	(29.1)	(70.4)
Free Cash Flow	<u>\$ 37.5</u>	<u>\$ 17.0</u>	<u>\$ 159.7</u>	<u>\$ 27.2</u>

	2017 Outlook			
	Estimated Range			
Adjusted diluted earnings per share	\$ 1.70	to	\$ 2.00	
Amortization	(0.28)	to	(0.28)	
Spin-related transition expenses	(0.05)	to	(0.03)	
Acquisition related charges	(0.09)	to	(0.07)	
Other	(0.27)	to	(0.17)	
Diluted earnings per share (GAAP)	<u>\$ 1.01</u>	to	<u>\$ 1.45</u>	