

# AngioDynamics

Fourth Quarter 2018 Earnings Presentation

July 11, 2018

# Forward-Looking Statement

## Notice Regarding Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements regarding AngioDynamics' expected future financial position, results of operations, cash flows, business strategy, budgets, projected costs, capital expenditures, products, competitive positions, growth opportunities, plans and objectives of management for future operations, as well as statements that include the words such as "expects," "reaffirms," "intends," "anticipates," "plans," "believes," "seeks," "estimates," "optimistic," or variations of such words and similar expressions, are forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Investors are cautioned that actual events or results may differ from AngioDynamics' expectations. Factors that may affect the actual results achieved by AngioDynamics include, without limitation, the ability of AngioDynamics to develop its existing and new products, technological advances and patents attained by competitors, infringement of AngioDynamics' technology or assertions that AngioDynamics' technology infringes the technology of third parties, the ability of AngioDynamics to effectively compete against competitors that have substantially greater resources, future actions by the FDA or other regulatory agencies, domestic and foreign health care reforms and government regulations, results of pending or future clinical trials, overall economic conditions, the results of on-going litigation, challenges with respect to third-party distributors or joint venture partners or collaborators, the results of sales efforts, the effects of product recalls and product liability claims, changes in key personnel, the ability of AngioDynamics to execute on strategic initiatives, the effects of economic, credit and capital market conditions, general market conditions, market acceptance, foreign currency exchange rate fluctuations, the effects on pricing from group purchasing organizations and competition, the ability of AngioDynamics to integrate purchased businesses, as well as the risk factors listed from time to time in AngioDynamics' SEC filings, including but not limited to its Annual Report on Form 10-K for the year ended May 31, 2017. AngioDynamics does not assume any obligation to publicly update or revise any forward-looking statements for any reason.

In the United States, the NanoKnife System has received a 510(k) clearance by the Food and Drug Administration for use in the surgical ablation of soft tissue, and is similarly approved for commercialization in Canada, the European Union and Australia. The NanoKnife System has not been cleared for the treatment or therapy of a specific disease or condition.

## Notice Regarding Non-GAAP Financial Measures

Management uses non-GAAP measures to establish operational goals, and believes that non-GAAP measures may assist investors in analyzing the underlying trends in AngioDynamics' business over time. Investors should consider these non-GAAP measures in addition to, not as a substitute for or as superior to, financial reporting measures prepared in accordance with GAAP. In this news release, AngioDynamics has reported adjusted EBITDAS (income before interest, taxes, depreciation and amortization and stock-based compensation); adjusted gross profit; adjusted net income; adjusted earnings per share and free cash flow. Management uses these measures in its internal analysis and review of operational performance. Management believes that these measures provide investors with useful information in comparing AngioDynamics' performance over different periods. By using these non-GAAP measures, management believes that investors get a better picture of the performance of AngioDynamics' underlying business. Management encourages investors to review AngioDynamics' financial results prepared in accordance with GAAP to understand AngioDynamics' performance taking into account all relevant factors, including those that may only occur from time to time but have a material impact on AngioDynamics' financial results. Please see the tables that follow for a reconciliation of non-GAAP measures to measures prepared in accordance with GAAP.

# Fourth Quarter 2018 Highlights

## Financial Performance

- Revenue of \$88.3 million, up 1.6% year over year (*excluding the \$2.6 million Acculis recall reserve from FY'17, sales were down \$1.2 million*)
- Gross Margin ended at 53.7%, up 500 bps year over year (*excluding the Acculis recall reserve (Revenue and Inventory) impact up 100 bps*)
- Adjusted EPS of \$0.20, compared to \$0.19 a year ago
- Adjusted EBITDAS of \$15.6 million, compared to \$14.3 million a year ago
- Generated operating cash flow of \$23.8 million and free cash flow of \$23.0 million

## Select Product Family Results

### Peripheral Vascular

Year-over-year sales delta:

- Fluid Management: 6%
- AngioVac®: 19%
- Angiographic Catheters: 2%
- Venous insufficiency: (23%)

### Vascular Access

Year-over-year sales delta:

- PICCs and Midlines: (6%)
- Ports: 1%
- Dialysis: 3%

### Oncology/Surgery

Year-over-year sales delta:

- Solero® Microwave: 39%\*
- NanoKnife®: 6%

## Corporate Developments

- Continued execution on operational efficiencies across the business; facility consolidations completed in the fourth fiscal quarter.
- In the first quarter of fiscal year 2019, the Company expects to pay approximately \$12.5 million related to the previously disclosed legal matters with the Department of Justice.
- As of June 1, 2018, Peripheral Vascular will be known as Vascular Interventions and Therapies and Oncology/Surgery will be known as Oncology.

3 \* Growth rate normalized for the \$2.6 million Acculis recall reserve from the prior year. Actual growth was 546%.

## Fourth Quarter and Fiscal Year 2018 Results

<i>\$ in millions (except per share data)</i>	FY2018 Q4 Results	FY2017 Q4 Results	Change	FY2018 Results	FY2017 Results	Change
<b>Revenue</b>	<b>\$88.3</b>	<b>\$86.9</b>	<b>1.6%</b>	<b>\$344.3</b>	<b>\$349.6</b>	<b>(1.5)%</b>
- Peripheral Vascular	52.6	53.9	(2.4)%	\$202.3	\$208.6	(3.0)%
- Vascular Access	23.6	24.2	(2.5)%	\$92.8	\$96.5	(3.8)%
- Oncology/Surgery	12.1	8.8	37.5%	\$49.2	\$44.6	10.3%
- United States	70.3	70.8	(0.7)%	\$273.3	\$282.2	(3.2)%
- International	18.0	16.1	11.8%	\$71.0	\$67.4	5.3%
<b>Net Income</b>	<b>\$2.1</b>	<b>\$(12.9)</b>		<b>\$16.3</b>	<b>\$5.0</b>	
Adjusted Net Income	\$7.7	\$6.8		\$27.6	\$27.0	
<b>GAAP Earnings Per Share</b>	<b>\$0.06</b>	<b>\$(0.35)</b>		<b>\$0.44</b>	<b>\$0.14</b>	
Non-GAAP Adjusted EPS	\$0.20	\$0.19		\$0.74	\$0.73	
<b>Gross Margin</b>	<b>53.7%</b>	<b>48.7%</b>		<b>51.4%</b>	<b>50.4%</b>	
<b>Adjusted EBITDAS</b>	<b>\$15.6</b>	<b>\$14.3</b>		<b>\$57.0</b>	<b>\$58.7</b>	
<b>Free Cash Flow</b>	<b>\$23.0</b>	<b>\$18.3</b>		<b>\$38.9</b>	<b>\$52.7</b>	
<b>Cash and Cash Equivalents</b>	<b>\$74.1</b>	<b>\$47.5</b>		<b>\$74.1</b>	<b>\$47.5</b>	
<b>Debt</b>	<b>\$92.5</b>	<b>\$97.5</b>		<b>\$92.5</b>	<b>\$97.5</b>	

## Detail for Select Income Statement Line Items

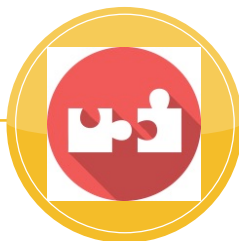
<i>\$ in millions</i>	FY2018	FY2017
<b>Contingent Consideration:</b>		
Adjustment to minimum milestone payments on AngioVac	-	(\$13.4)
Write-off of TiLo related contingent payments based on regulatory milestones	-	(\$3.1)
Amortization related to remaining minimum payments	<u>\$0.3</u>	<u>\$1.2</u>
Total	<b>\$0.3</b>	<b>(\$15.3)</b>
<b>Acquisition, Restructuring and Other Items, net:</b>		
Legal (outside of the normal course of business)	\$10.0	\$7.0
Accrual related to DOJ subpoenas (expected to be paid in FY19)	-	\$12.5
Plant consolidation (termination benefits, equipment transfer and set-up, regulatory filings, contract cancellations)	\$4.7	\$1.3
Write-off of intangible and other assets (EmboMedics and TiLo intangible assets)	-	\$5.6
Other	<u>\$0.7</u>	<u>\$1.1</u>
Total	<b>\$15.4</b>	<b>\$27.5</b>

## 2019 Outlook



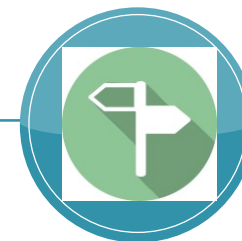
### Operational Excellence

- Gross margin expansion and stability
- Targeted R&D focused on ROI
- Commitment to quality and compliance
- Continue to drive operating leverage



### Value Creation

- Practice dispassionate portfolio optimization
- Focus on areas of compelling unmet needs - patient-centric/evidence-based
- Call point expansion/Sales force realignment
- Targeted global expansion opportunities



### Guidance

- **Net sales** in the range of \$344 to \$349 million
- **Free cash flow** between \$38 and \$43 million
- **Adjusted earnings per share** in the range of \$0.82 to \$0.86

## GAAP to Non-GAAP Reconciliation

# Reconciliation of GAAP to Non-GAAP Gross Profit, Net Income and EPS

Amount in 000's	<u>Three months ended</u> May 31,      May 31, 2018          2017 (unaudited)		<u>Twelve months ended</u> May 31,      May 31, 2018          2017 (unaudited)	
Gross profit	\$ 47,467	\$ 42,335	\$ 176,875	\$ 176,169
Recall expenses included in cost of sales	-	2,645	-	2,861
Adjusted gross profit	<u>\$ 47,467</u>	<u>\$ 44,980</u>	<u>\$ 176,875</u>	<u>\$ 179,030</u>
Adjusted gross profit % of sales	53.7%	51.8%	51.4%	51.2%
	<u>Three months ended</u> May 31,      May 31, 2018          2017 (unaudited)		<u>Twelve months ended</u> May 31,      May 31, 2018          2017 (unaudited)	
Net income	\$ 2,102	\$ (12,913)	\$ 16,335	\$ 5,008
Recall expenses included in cost of sales	-	2,645	-	2,861
Amortization of intangibles	4,202	4,410	16,635	17,296
Change in fair value of contingent consideration	32	125	250	(15,261)
Acquisition, restructuring and other items, net (1)	3,500	15,482	15,432	27,510
Tax effect of non-GAAP items (2)	(2,162)	(2,943)	(21,051)	(10,372)
Adjusted net income	<u>\$ 7,674</u>	<u>\$ 6,806</u>	<u>\$ 27,601</u>	<u>\$ 27,042</u>
	<u>Three months ended</u> May 31,      May 31, 2018          2017 (unaudited)		<u>Twelve months ended</u> May 31,      May 31, 2018          2017 (unaudited)	
Diluted earnings per share	\$ 0.06	\$ (0.35)	\$ 0.44	\$ 0.14
	\$ -	\$ -	\$ -	\$ -
Recall expenses included in cost of sales	-	0.07	-	0.08
Amortization of intangibles	0.11	0.12	0.44	0.47
Change in fair value of contingent consideration	0.00	0.00	0.01	(0.41)
Acquisition, restructuring and other items, net (1)	0.10	0.42	0.41	0.74
Tax effect of non-GAAP items (2)	(0.07)	(0.07)	(0.56)	(0.29)
Adjusted diluted earnings per share	<u>\$ 0.20</u>	<u>\$ 0.19</u>	<u>\$ 0.74</u>	<u>\$ 0.73</u>
Adjusted diluted share count	37,747	36,655	37,539	36,959

(1) Includes costs related to mergers and acquisition activities, integrations, restructurings, asset impairments and write-offs, litigation, and other items.

(2) Adjustment to reflect the income tax provision on a non-GAAP basis which i) has been calculated using a blended rate of 30.62% for the year ended May 31, 2018 due to the enactment of the Tax Cuts and Jobs Act (the "Act") that reduced the federal corporate tax rate to 21% (the effective rate for the three and twelve months ended May 31, 2017 was 36%); ii) excludes the benefit recorded in Q3 fiscal 2018 resulting from remeasurement of our deferred tax assets from the Act; iii) tax effects the non-GAAP adjustment shown above and iv) assumes the Company does not have a valuation allowance on its U.S. deferred tax assets.



## Reconciliation of Net Income to EBITDAS to Adjusted EBITDAS

Amounts in 000's	Three months ended		Twelve months ended	
	May 31,	May 31,	May 31,	May 31,
	2018	2017	2018	2017
	(unaudited)		(unaudited)	
Net income	\$ 2,102	\$ (12,913)	\$ 16,335	\$ 5,008
Income tax expense (benefit)	1,225	885	(8,870)	4,839
Interest expense, net	839	683	3,062	2,839
Depreciation and amortization	5,768	6,356	23,163	24,811
Stock-based compensation	2,091	1,105	7,912	6,183
EBITDAS	<u>\$ 12,025</u>	<u>\$ (3,884)</u>	<u>41,602</u>	<u>43,680</u>
Recall expenses included in cost of sales	-	2,645	-	2,861
Change in fair value of contingent consideration	32	125	250	(15,261)
Acquisition, restructuring and other items, net (1,2)	3,500	15,374	15,156	27,402
Adjusted EBITDAS	<u>\$ 15,557</u>	<u>\$ 14,260</u>	<u>\$ 57,008</u>	<u>\$ 58,682</u>
Per diluted share:				
EBITDAS	\$ 0.32	\$ (0.11)	\$ 1.11	\$ 1.18
Adjusted EBITDAS	\$ 0.41	\$ 0.39	\$ 1.52	\$ 1.59

(1) Includes costs related to mergers and acquisition activities, integrations, restructurings, asset impairments and write-offs, litigation, and other items.

(2) Excludes depreciation expense captured in the depreciation and amortization component of the reconciliation.

Growth *through*  
Focus | Execution | Accountability