

AngioDynamics

Third Quarter 2018 Earnings Presentation

March 29, 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.

Third Quarter 2018 Highlights

Financial Performance

- Revenue of \$83.9 million, down 2.0% year over year (*excluding the \$1.7 million RFA sale in Japan from the prior year, sales were flat*)
- Gross Margin ended at 54.2%, up 300 bps year over year
- Adjusted EPS of \$0.25, compared to \$0.19 a year ago
- Adjusted EBITDAS of \$16.8 million, compared to \$14.9 million a year ago
- Generated operating cash flow of \$4.3 million and free cash flow of \$3.9 million
- **The Company reaffirms full-year revenue guidance of \$345 – \$350 million and free cash flow guidance of \$30-\$35 million.**
- **The Company continues to expect its adjusted earnings per share in the range of \$0.64 to \$0.68, excluding any impact from the recently enacted 2017 Tax Reform Act. Including the impact of Tax Reform, guidance for adjusted earnings per share is \$0.70 to \$0.74.**

Peripheral Vascular

Year-over-year sales growth:

- Fluid Management: 7%
- AngioVac®: 9%
- Angiographic Catheters: 5%

Vascular Access

Year-over-year sales growth:

- Midline: 17%
- Ports: 4%
- Dialysis: 5%

Oncology/Surgery

Year-over-year sales growth:

- Solero® Microwave: 15%
- NanoKnife®: 17%

Corporate Developments

- Received “Expedited Access Pathway (EAP) / Breakthrough Designation” status from FDA for NanoKnife and proposed indication for use for the treatment of Stage III pancreatic cancer
- Filed NanoKnife 3.0 510(k) with FDA
- Exclusive Biim® agreement signed in Q3
- Continued execution on operational efficiencies across the business; facility consolidations completed in the third fiscal quarter
- In the fourth quarter, the Company expects to pay approximately \$12.5 million related to the previously disclosed legal matters with the Department of Justice.

Third Quarter 2018 Results

<i>\$ in millions (except per share data)</i>	FY2018 Q3 Results	FY2017 Q3 Results	Change	FY2018 YTD Results	FY2017 YTD Results	Change
Revenue	\$83.9	\$85.6	(2.0)%	\$256.0	\$262.7	(2.6)%
- Peripheral Vascular	48.5	48.9	(0.8)%	\$149.8	\$154.7	(3.2)%
- Vascular Access	23.3	23.7	(1.7)%	\$69.1	\$72.2	(4.4)%
- Oncology/Surgery	12.1	13.0	(7.2)%	\$37.1	\$35.8	3.6%
- United States	65.8	67.6	(2.8)%	\$203.0	\$211.3	(3.9)%
- International	18.1	18.0	0.7%	\$53.0	\$51.4	2.9%
Net Income	\$14.0	\$2.9		\$14.2	\$17.9	
Adjusted Net Income	\$9.5	\$6.9		\$19.9	\$20.2	
GAAP Earnings Per Share	\$0.37	\$0.08		\$0.38	\$0.49	
Non-GAAP Adjusted EPS	\$0.25	\$0.19		\$0.53	\$0.55	
Gross Margin	54.2%	51.2%		50.6%	50.9%	
Adjusted EBITDAS	\$16.8	\$14.9		\$41.5	\$44.4	
Free Cash Flow	\$3.9	\$14.0		\$15.9	\$34.5	
Cash and Cash Equivalents	\$52.3	\$35.6		\$52.3	\$35.6	
Debt	\$93.8	\$98.8		\$93.8	\$98.8	

GAAP to Non-GAAP Reconciliation

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

Amounts in 000's	Three months ended		Nine months ended	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
	(unaudited)		(unaudited)	
Gross profit	\$ 45,448	\$ 43,792	\$ 129,408	\$ 133,834
Recall expenses included in cost of sales	-	14	-	216
Adjusted gross profit	<u>\$ 45,448</u>	<u>\$ 43,806</u>	<u>\$ 129,408</u>	<u>\$ 134,050</u>
Adjusted gross profit % of sales	54.2%	51.2%	50.6%	51.0%
	Three months ended		Nine months ended	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
	(unaudited)		(unaudited)	
Net income	\$ 14,019	\$ 2,887	\$ 14,233	\$ 17,921
Recall expenses included in cost of sales	-	14	-	216
Amortization of intangibles	4,191	4,360	12,433	12,886
Change in fair value of contingent consideration	31	122	218	(15,386)
Acquisition, restructuring and other items, net (1)	4,177	1,750	11,932	12,028
Tax effect of non-GAAP items (2)	(12,893)	(2,219)	(18,890)	(7,429)
Adjusted net income	<u>\$ 9,525</u>	<u>\$ 6,914</u>	<u>\$ 19,926</u>	<u>\$ 20,236</u>
	Three months ended		Nine months ended	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
	(unaudited)		(unaudited)	
Diluted earnings per share	\$ 0.37	\$ 0.08	\$ 0.38	\$ 0.48
Recall expenses included in cost of sales	-	-	-	0.01
Amortization of intangibles	0.11	0.12	0.33	0.34
Change in fair value of contingent consideration	0.00	0.00	0.01	(0.41)
Acquisition, restructuring and other items, net (1)	0.11	0.05	0.32	0.33
Tax effect of non-GAAP items (2)	(0.34)	(0.06)	(0.51)	(0.20)
Adjusted diluted earnings per share	<u>\$ 0.25</u>	<u>\$ 0.19</u>	<u>\$ 0.53</u>	<u>\$ 0.55</u>
Adjusted diluted share count	37,442	37,126	37,358	37,068

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

(2) Represents the net tax effect of non-GAAP adjustments. On December 22, 2017, President Trump signed into law the tax legislation commonly known as the Tax Cuts and Jobs Act (the "Act") that reduced the federal corporate tax rate to 21% and as such, resulted in an overall effective tax rate of 23%. Since the enactment date occurred during FY 2018, a blended rate must be determined in accordance with IRC Section 15 and therefore the statutory rates are prorated based on the number of days within the taxable year before and after the effective date of the change in the tax rate. The effective tax rate for the nine months ended February 28, 2018 is based on a blended rate of 30.62% that is used to tax effect the non-GAAP. The effective tax rate for the three months ended February 28, 2018 includes a catch-up for the updated 23% effective tax rate, and as such, the effective tax rate is 23.62%. The effective tax rate for the three and nine months ended February 28, 2017 was 36%. The current and prior year tax rates are based on our historical non-GAAP earnings and our tax effect of non-GAAP items has been calculated assuming no valuation allowance on our deferred tax assets.



Reconciliation of Net Income to EBITDAS to Adjusted EBITDAS

Amounts in 000's	Three months ended		Nine months ended	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
	(unaudited)		(unaudited)	
Net income	\$ 14,019	\$ 2,887	\$ 14,233	\$ 17,921
Income tax expense (benefit)	(9,948)	1,670	(10,095)	3,954
Interest expense, net	740	627	2,223	2,156
Depreciation and amortization	5,718	6,169	17,395	18,455
Stock-based compensation	2,058	1,693	5,821	5,078
EBITDAS	<u>\$ 12,587</u>	<u>\$ 13,046</u>	<u>29,577</u>	<u>47,564</u>
Recall expenses included in cost of sales	-	14	-	216
Change in fair value of contingent consideration	31	122	218	(15,386)
Acquisition, restructuring and other items, net (1,2)	4,216	1,750	11,656	12,028
Adjusted EBITDAS	<u>\$ 16,834</u>	<u>\$ 14,932</u>	<u>\$ 41,451</u>	<u>\$ 44,422</u>
Per diluted share:				
EBITDAS	\$ 0.34	\$ 0.35	\$ 0.79	\$ 1.28
Adjusted EBITDAS	\$ 0.45	\$ 0.40	\$ 1.11	\$ 1.20

(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