

# First Quarter 2020 Earnings Presentation

May 12, 2020



# Forward Looking Statements

Certain statements in this presentation are “forward-looking” statements within the meaning of the federal securities laws. There are a number of important factors that could cause actual results, developments and business decisions to differ materially from those suggested or indicated by such forward-looking statements and you should not place undue reliance on any such forward-looking statements. These factors include, among other things, the impact of the COVID-19 pandemic, the conditions in the global economy, the markets served by us and the financial markets, developments and uncertainties in U.S. policy stemming from the U.S. administration, such as changes in U.S. trade and tariff policies and the reaction of other countries thereto, contractions or growth rates and cyclicity of markets we serve, fluctuations in inventory of our distributors and customers, loss of a key distributor, our relationships with and the performance of our channel partners, competition, our ability to develop and successfully market new products and services, the potential for improper conduct by our employees, agents or business partners, our compliance with applicable laws and regulations (including regulations relating to medical devices and the health care industry), the results of our clinical trials and perceptions thereof, penalties associated with any off-label marketing of our products, modifications to our products that require new marketing clearances or authorizations, our ability to effectively address cost reductions and other changes in the health care industry, our ability to successfully identify and consummate appropriate acquisitions and strategic investments, our ability to integrate the businesses we acquire and achieve the anticipated benefits of such acquisitions, contingent liabilities relating to acquisitions, investments and divestitures, significant restrictions and/or potential liability based on tax implications of transactions with Danaher, security breaches or other disruptions of our information technology systems or violations of data privacy laws, our ability to adequately protect our intellectual property, the impact of our restructuring activities on our ability to grow, risks relating to potential impairment of goodwill and other intangible assets, currency exchange rates, tax audits and changes in our tax rate and income tax liabilities, changes in tax laws applicable to multinational companies, litigation and other contingent liabilities including intellectual property and environmental, health and safety matters, our ability to implement and maintain effective internal control over financial reporting, risks relating to product, service or software defects, risks relating to product manufacturing, the impact of our debt obligations on our operations and liquidity, commodity costs and surcharges, our ability to adjust purchases and manufacturing capacity to reflect market conditions, reliance on sole or limited sources of supply, the impact of regulation on demand for our products and services, labor matters, international economic, political, legal, compliance and business factors (including the impact of the United Kingdom’s decision to leave the EU), disruptions relating to war, terrorism, man-made and natural disasters, public health issues and other events, pension plan costs, and our ability to attract, develop and retain talented executives and other key employees. Additional information regarding the factors that may cause actual results to differ materially from these forward-looking statements is available in our SEC filings, including our Annual Report on Form 10-K for fiscal year 2019. These forward-looking statements speak only as of the date of this release and except to the extent required by applicable law, we do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

# Responding to COVID-19

- **Protecting employee safety**
  - Organized task force to implement safety protocols
  - Work from home & staggered shifts for operations/distribution centers
  - Increased virtual communication and training
- **Supporting customers/partners and the community**
  - Increasing frequency of virtual events: >200,000 trained in Q1
  - Sharing best practices and support clinicians back to work
  - Supporting community with PPE donations and increased production of infection prevention products
- **Preserving financial strength: Acknowledge realities, reposition portfolio, execute**
  - Balance sheet and liquidity management
  - Cost reduction and portfolio transformation
  - Invest in growth priorities

**Positioning Envista to weather the storm and thrive**

# Preserving Financial Strength

- **Balance sheet and liquidity management**
  - Covenant waiver through Q1'21
  - Accessed \$250M revolver
- **Cost reduction and portfolio transformation**
  - Q2 actions >\$100M cash preservation: pay reductions, furloughs, aggressive cost management
  - Structural actions >\$100M by end of 2020 includes >10% headcount reduction
  - Portfolio transformation: Exit of 4% of total 2019 revenue focused in Treatment Units
- **Invest in growth priorities**
  - Infection prevention capacity expansion
  - Protecting investments: N1, Spark, DTX

Utilizing EBS for continuous improvement & rigorous execution

# Q1 2020: Financial Metrics

<b>Core Growth</b>	<b>(14.6%)</b>
<b>Adjusted OP Margin</b>	<b>1.8%</b>
<b>GAAP EPS</b>	<b>(\$0.11)</b>
<b>Non-GAAP EPS</b>	<b>\$0.03</b>
<b>Operating Cash Flow</b>	<b>(\$62M)</b>
<b>Free Cash Flow</b>	<b>(\$76M)</b>

## Core Revenue Growth

- Through February core growth was mid-single digits
- COVID-19 impact approximately -16.0%
- Top 10 NA DSOs grew HSD

## Adjusted OM

- **Gross Margin decline -410 bps**
  - Larger decline in higher margin specialty
  - Spark capacity investment
- **Adj. OP margin decline -840 bps**
  - Adverse impact from lower revenue, investment and public company costs
  - Partially offset by cost savings

**Strong performance through early March; COVID-19 impacted last 3 weeks significantly**

# Q1'20: Cash Flow & Balance Sheet

## Free cash flow summary (\$M)

	Q1'20	Q1'19
GAAP earnings	(\$17.2)	\$37.9
Operating cash flow	(\$62.3)	(\$9.0)
Capital expenditures, net	(\$13.6)	(\$15.3)
Free cash flow	(\$75.9)	(\$24.3)

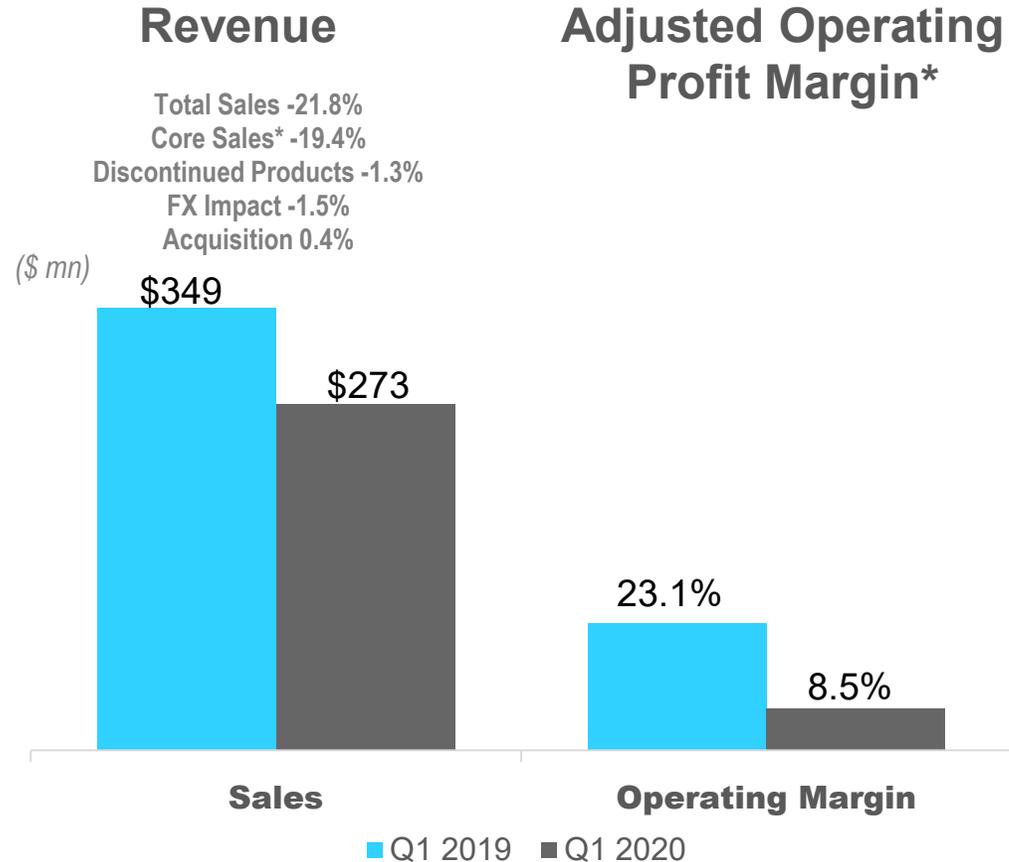
- **Balance sheet and liquidity**

- Secured waiver of debt covenant
- \$250M liquidity through revolver

- **Operating cash flow**

- Strong receivables/payables management
- \$30M inventory build for business continuity during the pandemic
- Adverse impact from prior year incentive compensation payouts

**Cost and cash management will reduce cash needs going forward**



## • Revenue

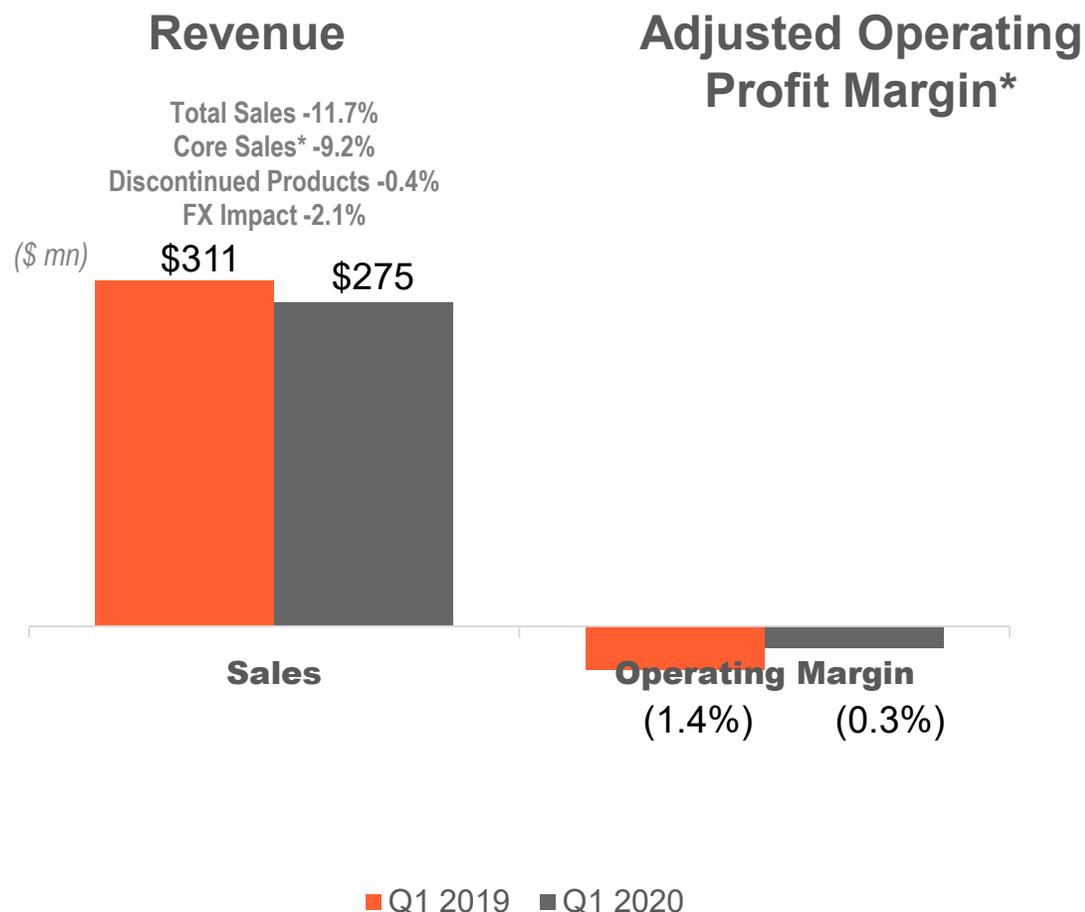
- Core sales -19.4%, COVID-19 impact approximately -22.0%
- Spark contributed ~0.5% to Envista total sales

## • Nobel Biocare Systems

- NA/WE premium implant business stabilizing: core sales grew mid-single digits through Feb
- N1 obtained CE Mark
- Received EU MDR certification

## • Profitability impacted by fall-through from lower revenue and investment

**Spark progress, N1 CE Mark, and NA/WE implant stabilization**



- **Revenue**

- Core sales -9.2%, COVID-19 impact approximately -10.0%
- NA distributors inventory level in good position
- Infection prevention business grew >35%

- **Profitability**

- Cost savings driving improved performance

**Infection prevention positive impact & accelerated structural changes**

# Outlook & Scenario Planning

- **China trajectory**
  - Limited February to early March activities
  - Slightly more than 50% patient volume returning by end of April
  - Anticipate gradual ramp through remainder of Q2
- **Anticipate Q2 to be weakest quarter of year**
  - April core sales down more than 60% globally
  - Moderate improvement through the month
  - Anticipate gradual ramp for rest of Q2
- **Scenario planning**
  - Prepared for worst case financial perspective
  - Using China experience, industry information, imaging usage data, interviews with customers/DSOs, and other leading indicators to refine expectations

**Anticipate gradual improvement through May and June**

# Portfolio positioned for “new normal”

**Specialty Products & Technologies**  
\$1.3B\*

## Ormco



## Nobel Biocare Systems

### Implants & Biomaterials



**Consumables & Small Equipment**  
\$1.0B\*

## Consumables



## Small Equipment



**Capital Equipment**  
\$0.4B\*

## Large Imaging Equipment



## Treatment Units



\*2019 revenue

**85% of Envista positioned in consumables or small equipment**

# Summary

## **Near-term actions for COVID-19...**

- Protecting employee safety
- Supporting our customers/partners and the community
- Preserving financial strength: Acknowledge current realities, reposition portfolio, execute

## **...align with our long-term strategy...**

- Accelerate growth through investment in strategic growth areas
- Expanding operating margins through improved mix and structural cost actions
- Transforming portfolio to build a stronger Envista

## **...EBS leverage and seasoned management team driving execution**

**Building a stronger Envista for “new normal”**

# Q&A

# Appendix

# Reconciliation: Adjusted Operating Profit

(unaudited) (\$millions)

	Three Months Ended	
	April 3, 2020	March 29, 2019
<b>Consolidated</b>		
Operating (Loss) Profit	\$ (25.0)	\$ 44.9
Pretax amortization of acquisition-related intangible assets <sup>A</sup>	22.5	22.5
Restructuring costs <sup>B</sup>	12.3	—
Adjusted Operating Profit	<u>\$ 9.8</u>	<u>\$ 67.4</u>
Adjusted Operating Profit as a % of Sales	1.8 %	10.2 %
<b>Specialty Products &amp; Technologies</b>		
Operating Profit	\$ 7.8	\$ 66.1
Pretax amortization of acquisition-related intangible assets <sup>A</sup>	14.7	14.5
Restructuring costs <sup>B</sup>	0.8	—
Adjusted Operating Profit	<u>\$ 23.3</u>	<u>\$ 80.6</u>
Adjusted Operating Profit as a % of Sales	8.5 %	23.1 %
<b>Equipment &amp; Consumables</b>		
Operating Loss	\$ (19.3)	\$ (12.2)
Pretax amortization of acquisition-related intangible assets <sup>A</sup>	7.8	8.0
Restructuring costs <sup>B</sup>	10.8	—
Adjusted Operating Loss	<u>\$ (0.7)</u>	<u>\$ (4.2)</u>
Adjusted Operating Loss as a % of Sales	(0.3)%	(1.4)%

See the accompanying Notes to Reconciliation of GAAP to Non-GAAP Financial Measures

# Reconciliation: Adjusted Net Income

(unaudited) (\$millions)

	Three Months Ended	
	April 3, 2020	March 29, 2019
Net (Loss) Income	\$ (17.2)	\$ 37.9
Pretax amortization of acquisition-related intangible assets <sup>A</sup>	22.5	22.5
Restructuring costs <sup>B</sup>	12.3	—
Tax effect of adjustments reflected above <sup>C</sup>	(10.9)	(5.3)
Discrete tax adjustments and other tax-related adjustments <sup>D</sup>	(1.7)	(3.0)
Adjusted Net Income	<u>\$ 5.0</u>	<u>\$ 52.1</u>

See the accompanying Notes to Reconciliation of GAAP to Non-GAAP Financial Measures

# Reconciliation: Adjusted Diluted Earnings Per Share

(Unaudited)

	Three Month Period Ended	
	April 3, 2020	March 29, 2019
Diluted (Loss) Earnings Per Share	\$ (0.11)	\$ 0.30
Pretax amortization of acquisition-related intangible assets <sup>A</sup>	0.14	0.14
Restructuring costs <sup>B</sup>	0.08	—
Tax effect of adjustments reflected above <sup>C</sup>	(0.07)	(0.03)
Discrete tax adjustments and other tax-related adjustments <sup>D</sup>	(0.01)	(0.02)
Dilutive impact of IPO and conversion shares as if issued at beginning of period <sup>E</sup>	—	(0.07)
Adjusted Diluted Earnings Per Share	<u>\$ 0.03</u>	<u>\$ 0.32</u>

See the accompanying Notes to Reconciliation of GAAP to Non-GAAP Financial Measures

# Reconciliation of Adjusted Diluted Shares Outstanding

(Unaudited)

(shares in millions)	Three Months Ended	
	April 3, 2020	March 29, 2019
Average common stock shares outstanding - basic	159.2	127.9
Assumed exercise of dilutive options and vesting of dilutive restricted stock units <sup>F</sup>	2.6	—
Dilutive impact of IPO and conversion shares as if issued at beginning of period <sup>E</sup>	—	34.4
Average common stock and common equivalent shares outstanding - diluted	<u>161.8</u>	<u>162.3</u>

See the accompanying Notes to Reconciliation of GAAP to Non-GAAP Financial Measures

# Reconciliation of Adjusted EBITDA

(unaudited) (\$millions)

	Three Months Ended	
	April 3, 2020	March 29, 2019
Net (Loss) Income	\$ (17.2)	\$ 37.9
Interest expense, net	3.3	—
Income taxes	(11.0)	7.1
Depreciation	9.5	9.8
Amortization	22.5	22.5
Restructuring costs	12.3	—
Adjusted EBITDA	<u>\$ 19.4</u>	<u>\$ 77.3</u>

See the accompanying Notes to Reconciliation of GAAP to Non-GAAP Financial Measures

# Reconciliation of Core Sales Growth

(Unaudited)

	<u>% Change Three Month Period Ended April 3, 2020 vs. Comparable 2019 Period</u>
<b>Consolidated</b>	
Total sales growth	(17.1)%
Less the impact of:	
Acquisitions	(0.2)%
Discontinued products	0.9 %
Currency exchange rates	<u>1.8 %</u>
Core sales growth	<u>(14.6)%</u>
<b>Specialty Products &amp; Technologies</b>	
Total sales growth	(21.8)%
Less the impact of:	
Acquisitions	(0.4)%
Discontinued products	1.3 %
Currency exchange rates	<u>1.5 %</u>
Core sales growth	<u>(19.4)%</u>
<b>Equipment &amp; Consumables</b>	
Total sales growth	(11.7)%
Less the impact of:	
Discontinued products	0.4 %
Currency exchange rates	<u>2.1 %</u>
Core sales growth	<u>(9.2)%</u>

We use the term “core sales” to refer to GAAP revenue excluding (1) sales from acquired businesses recorded prior to the first anniversary of the acquisition (“acquisitions”), (2) sales from discontinued products and (3) the impact of currency translation. Sales from discontinued products includes major brands or products that Envista has made the decision to discontinue as part of a portfolio restructuring. Discontinued brands or products consist of those which Envista (1) is no longer manufacturing, (2) is no longer investing in the research or development of, and (3) expects to discontinue all significant sales within one year from the decision date to discontinue. The portion of sales attributable to discontinued brands or products is calculated as the net decline of the applicable discontinued brand or product from period-to-period. The portion of GAAP revenue attributable to currency exchange rates is calculated as the difference between (a) the period-to-period change in sales and (b) the period-to-period change in sales after applying current period foreign exchange rates to the prior year period. We use the term “core sales growth” to refer to the measure of comparing current period core sales with the corresponding period of the prior year.

# Reconciliation of Free Cash Flow

(unaudited) (\$millions)

	Three Months Ended	
	April 3, 2020	March 29, 2019
Net Operating Cash Used in Investing Activities	\$ (51.4)	\$ (15.3)
Net Operating Cash Provided by Financing Activities	\$ 258.5	\$ 24.3
Net Operating Cash Used in Operating Activities	\$ (62.3)	\$ (9.0)
Less: payments for additions to property, plant and equipment (capital expenditures)	(13.6)	(15.6)
Plus: proceeds from sales of property, plant and equipment (capital disposals)	—	0.3
Free Cash Flow	\$ (75.9)	\$ (24.3)
Net (Loss) Income	\$ (17.2)	\$ 37.9
Free Cash Flow to Net (Loss) Income Conversion Ratio	4.41	(0.64)

See the accompanying Notes to Reconciliation of GAAP to Non-GAAP Financial Measures

# Notes to Reconciliation of GAAP to Non-GAAP Financial Measures

	Three-Month Period Ended	
	April 3, 2020	March 29, 2019
Pretax	\$ 22.5	\$ 22.5
After-tax	\$ 15.4	\$ 17.2

- <sup>B</sup> We exclude costs incurred pursuant to discrete restructuring plans that are fundamentally different (in terms of the size, strategic nature and planning requirements, as well as the inconsistent frequency, of such plans) from the ongoing productivity improvements that result from application of the Envista Business System. These restructuring plans are incremental to the operating activities that arise in the ordinary course of our business and we believe are not indicative of Envista's ongoing operating costs in a given period.
- <sup>C</sup> This line item reflects the aggregate tax effect of all pretax adjustments reflected in the preceding line items of the table using each adjustment's applicable tax rate, including the effect of interim tax accounting requirements of Accounting Standards Codification Topic 740 *Income Taxes*.
- <sup>D</sup> The discrete tax matters relate primarily to excess tax benefits from stock-based compensation, changes in estimates associated with prior period uncertain tax positions and audit settlements, tax benefits resulting from a change in law, and changes in determination of realization of certain deferred tax assets.
- <sup>E</sup> In connection with the initial public offering ("IPO"), an additional 30.8 million shares were issued on September 20, 2019. This line item reflects the dilutive impact of these IPO shares as if outstanding as of the beginning of each period presented. In addition, certain Envista employees were previously granted Danaher Corporation ("Danaher") equity awards. On December 18, 2019, Danaher completed the split-off exchange offer of all the common shares of Envista held by Danaher in exchange for shares of Danaher common stock. As a result, the equity awards held by certain Envista employees to purchase Danaher shares have been converted into equity awards to purchase Envista's shares. The dilutive impact of these equity awards are included in this line item to reflect the potential dilution as if outstanding as of the beginning of each period presented.
- <sup>F</sup> The Company was in a net loss position for the three months ended April 3, 2020, therefore no shares reserved for issuance upon exercise of stock options or vesting of restricted stock units were included in the computation of diluted loss per share as their inclusion would have been anti-dilutive. However, given that the items noted in footnotes A-D resulted in adjusted net income for the three months ended April 3, 2020, the dilutive impact of stock option and restricted stock units is being included to arrive at adjusted diluted shares outstanding.

## Statement Regarding Non-GAAP Measures

Each of the non-GAAP measures set forth above should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measure, and may not be comparable to similarly titled measures reported by other companies. Management believes that these measures provide useful information to investors by offering additional ways of viewing Envista Holdings Corporation's ("Envista" or the "Company") results that, when reconciled to the corresponding GAAP measure, help our investors to:

- with respect to Adjusted Operating Profit (Loss), Adjusted Net Income, Adjusted Diluted Earnings Per Share and Adjusted EBITDA, understand the long-term profitability trends of Envista's business and compare Envista's profitability to prior and future periods and to Envista's peers;
- with respect to Adjusted Diluted Earnings Per Share, provide investors with improved comparability for Adjusted Diluted EPS as share counts under GAAP are calculated using a weighted average approach;
- with respect to Adjusted Diluted Shares Outstanding, allows for the impact of the IPO shares and dilution related to the conversion of Danaher equity awards into Envista equity awards to be presented as if they were outstanding for all prior periods presented and for the dilutive impact of stock options and restricted stock units as the Company is reporting adjusted net income compared to a net loss under GAAP;
- with respect to Core Sales, identify underlying growth trends in Envista's business and compare Envista's revenue performance with prior and future periods and to Envista's peers;
- with respect to Adjusted EBITDA, help investors understand operational factors associated with a company's financial performance because it excludes the following from consideration: interest, taxes, depreciation, amortization, and infrequent or unusual losses or gains such as goodwill impairment charges or nonrecurring and restructuring charges. Management uses Adjusted EBITDA, as a supplemental measure for assessing operating performance in conjunction with related GAAP amounts. In addition, Adjusted EBITDA is used in connection with operating decisions, strategic planning, annual budgeting, evaluating Company performance and comparing operating results with historical periods and with industry peer companies; and
- with respect to Free Cash Flow (the "FCF Measure"), understand Envista's ability to generate cash without external financings, strengthen its balance sheet, invest in its business and grow its business through acquisitions and other strategic opportunities (although a limitation of free cash flow is that it does not take into account the Company's debt service requirements and other non-discretionary expenditures, and as a result the entire free cash flow amount is not necessarily available for discretionary expenditures).

# Notes to Reconciliation of GAAP to Non-GAAP Financial Measures

Management uses these non-GAAP measures to measure the Company's operating and financial performance.

The items excluded from the non-GAAP measures set forth above have been excluded for the following reasons:

- With respect to Adjusted Operating Profit (Loss), Adjusted Diluted Earnings Per Share and Adjusted EBITDA:
  - We exclude the amortization of acquisition-related intangible assets because the amount and timing of such charges are significantly impacted by the timing, size, number and nature of the acquisitions we consummate. While we have a history of significant acquisition activity we do not acquire businesses on a predictable cycle, and the amount of an acquisition's purchase price allocated to intangible assets and related amortization term are unique to each acquisition and can vary significantly from acquisition to acquisition. Exclusion of this amortization expense facilitates more consistent comparisons of operating results over time between our newly-acquired and long-held businesses, and with both acquisitive and non-acquisitive peer companies. We believe, however, that it is important for investors to understand that such intangible assets contribute to revenue generation and that intangible asset amortization related to past acquisitions will recur in future periods until such intangible assets have been fully amortized.
  - We exclude costs incurred pursuant to discrete restructuring plans that are fundamentally different (in terms of the size, strategic nature and planning requirements, as well as the inconsistent frequency, of such plans) from the ongoing productivity improvements that result from application of the Envista Business System. These restructuring plans are incremental to the operating activities that arise in the ordinary course of our business and we believe are not indicative of Envista's ongoing operating costs in a given period.
  - With respect to the other items excluded from Adjusted Net Income, Adjusted Operating Profit (Loss), Adjusted Diluted Earnings Per Share and Adjusted EBITDA, we exclude these items because they are of a nature and/or size that occur with inconsistent frequency, occur for reasons that may be unrelated to Envista's commercial performance during the period and/or we believe that such items may obscure underlying business trends and make comparisons of long-term performance difficult.
- With respect to core sales, we exclude (1) the effect of acquisitions because the timing, size, number and nature of such transactions can vary significantly from period-to-period and between us and our peers, which we believe may obscure underlying business trends and make comparisons of long-term performance difficult, (2) sales from discontinued products because discontinued products do not have a continuing contribution to operations and management believes that excluding such items provides investors with a means of evaluating our on-going operations and facilitates comparisons to our peers, and (3) the impact of currency translation because it is not under management's control, is subject to volatility and can obscure underlying business trends.
- With respect to the FCF Measure, we exclude payments for additions to property, plant and equipment (net of the proceeds from capital disposals) to demonstrate the amount of operating cash flow for the period that remains after accounting for the Company's capital expenditure requirements.