AVANOS

FIRST QUARTER 2021 EARNINGS CALL

May 7th, 2021

AGENDA AND SPEAKERS

Joe Woody
Chief Executive Officer

Update on Business
Progress Against 2021 Priorities

Q&A

Michael Greiner
Senior Vice President and Chief Financial Officer

Review 2021 First Quarter Results
Update on Planning Environment

OVERVIEW

FORWARD-LOOKING INFORMATION

Certain matters in this presentation and conference call, including expectations and planning assumptions, including any comments about our expected 2021 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).

CONTINUING TO MEET THE NEEDS OF CUSTOMERS

- Encouraged by team's strong execution
- Resiliency in response to challenging dynamics brought on by pandemic
- Remain focused in dedication to getting patients back to things that matter

ELECTIVE PROCEDURE VOLUME RE-ACCELERATING

- Began quarter with headwinds and uncertainty
- Rising hospitalizations and negative elective procedure impact
- Exited Q1 with increased top-line momentum across Pain Management as return to elective procedures re-accelerated
- Encouraged by elective procedure volume increases
- Believe volume will remain below full potential until end of year

GAINING CONFIDENCE IN BUSINESS DIRECTION EXITING PANDEMIC

- Better line of sight to business direction with gradual decline in pandemic related challenges
- Well positioned to provide 2021 guidance
- Net Sales growth of 2% to 4% vs prior year on constant currency basis
- $1.10 to $1.25 adjusted diluted EPS

WE STAND TOGETHER

- Established a Diversity, Equity, and Inclusion Council
- 15 global employees across all departments
- Builds upon our We Stand Together initiative to better understand employee perspective on issues of inequality
- Critical effort to shape organization and culture

POTENTIAL MICROCOOL DOJ SETTLEMENT

- Discussing with the DOJ a potential resolution of their investigation into MicroCool and other surgical gowns
- Gowns were part of 2018 S&IP divestiture
- Anticipate finalizing agreement with the DOJ in Q2 or Q3

FIRST QUARTER PERFORMANCE

- Net sales totaled $181 million, unchanged versus prior year
- Earned $0.23 of adjusted diluted EPS
- Earnings positively impacted by disciplined cost control measures, partially offset by increased transportation costs

CHRONIC CARE GROWTH DRIVEN BY DIGESTIVE HEALTH

- Chronic Care results mixed
- Digestive Health continued to deliver mid-single digit growth
- Respiratory Health growth down slightly
  - Pandemic related sales similar to last year
  - Precautionary measures taken for pandemic impacted normal cold & flu seasonal sales uplift

SOLID FOUNDATION TO ACCELERATE PAIN MANAGEMENT GROWTH

- Elective procedures remained suppressed at start of quarter
- Biggest headwind in On-Q where significant percentage of surgeries require hospital stay
- COOLIEF less impacted as it is performed as outpatient therapy
- Sales grew sequentially throughout quarter as procedural volume returned

VALUE CREATION UPDATE

- Strengthening growth profile
- Expanding gross and operating margins
- Driving consistent free cash flow generation
- Deploying capital towards M&A

STRENGTHENING SALES GROWTH PROFILE

- Executing strategy to establish CorTrak as the standard-of-care for nasogastric feeding
- Record sales of CorTrak units in Q1
- Increasing the adoption of NeoMed to further address neonatal enteral feeding needs
- On target to reach account conversion goal

STRENGTHENING SALES GROWTH PROFILE

- Building clinical evidence to further improve reimbursement for COOLIEF
- Demonstrating differentiation as RF ablation therapy
- 2 independent, physician-led publications in Q1
- Executing on International initiatives
- High-single digit organic growth across each region in Q1

EXPANDING GROSS AND OPERATING MARGINS

- Continued cost discipline and emphasis on efficient spend
- Additional transportation costs in Q1 to facilitate NeoMed account conversions
  - Increased distribution costs continue into Q2, albeit at a slower rate
- Looking at all processes through lens of value creation
- Goal of enhancing efficiencies by embedding this approach into our culture

GENERATING CONSISTENT REPEATABLE CASH FLOW TO DEPLOY TOWARDS M&A

- Cash flow met internal expectation
- Now anticipate delivering approximately $80 million of free cash flow in 2021 taking into consideration preliminary agreement with DOJ
- Cash flow driven by improved earnings and disciplined cost savings
- Expect $60 million in U.S. tax refunds, primarily derived from provisions available though the CARES Act
- Continue to examine capital deployment for M&A to leverage existing footprint, generate synergies and enhance growth profile
- Bolster portfolio while remaining disciplined

ΔVΔNOS: STRONG START TO THE YEAR

- Well-positioned to advance strategies across four areas of value creation
- Focused on execution
- Market leading portfolio
- Confident in delivering sustainable growth and margin expansion in 2021 and beyond

First Quarter 2021 Results

Michael Greiner

Senior Vice President and Chief Financial Officer

MAINTAINING FOCUS ON EXECUTION

- Total sales of $181 million in Q1, unchanged versus prior year
  - 1% increase in volume
  - 1% favorable impact from currency
  - 2% unfavorable impact from price
- Slightly higher than normal price impact from timing of discounts and allowances paid to customers

FIRST QUARTER PERFORMANCE

Net sales totaled $181 million

- Chronic Care grew 5% to $121 million
- Mid-single digit demand for Digestive Health products
- Double digit Corpak growth
- NeoMed growth from continuation of ENFit conversions
- Double digit international growth
- Respiratory Health down slightly due to weaker than normal cold & flu season
- Continue to monitor pandemic related sales
- No additional headwinds from distributors re-balancing inventory expected

Chronic Care Sales
Millions

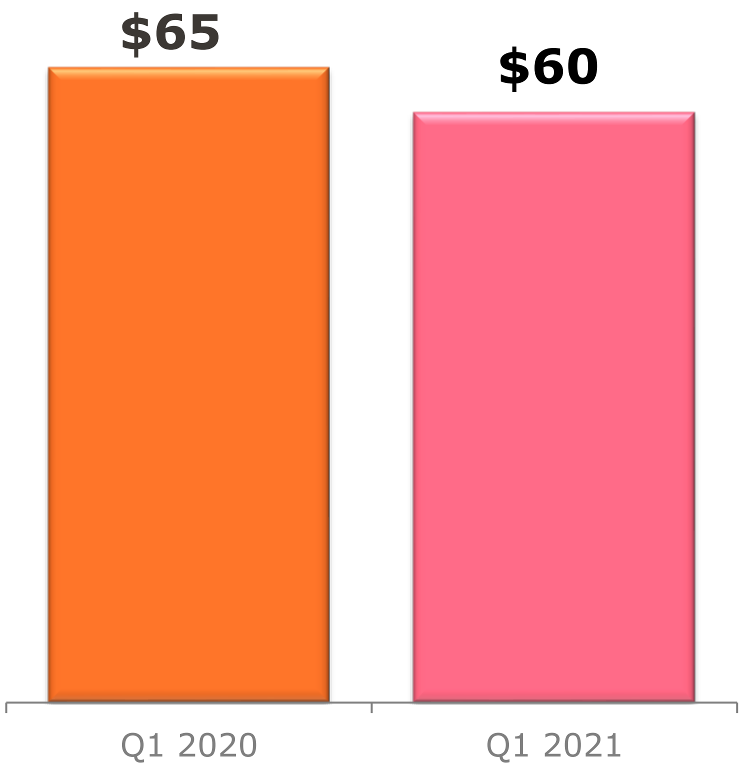
FIRST QUARTER PERFORMANCE

Net sales totaled $181 million

- Pain Management sales of $60 million, 8% lower versus prior year
  - Cancellation of elective procedures and lower procedural efficiency
  - Largest change was in ON-Q which is tied to procedures requiring some length of patient stay in hospital
- Sequential growth in ON-Q as hospitalizations declined and elective procedure volume increased
- Sales through Leiters increased double digits
- Encouraging results for COOLIEF, roughly flat versus prior year
  - Significant growth in March
- Double digit growth in Game Ready
  - Efforts to expand rental units and return of sports in both North America and Europe
- Return of elective procedures in hospitals supports additional growth

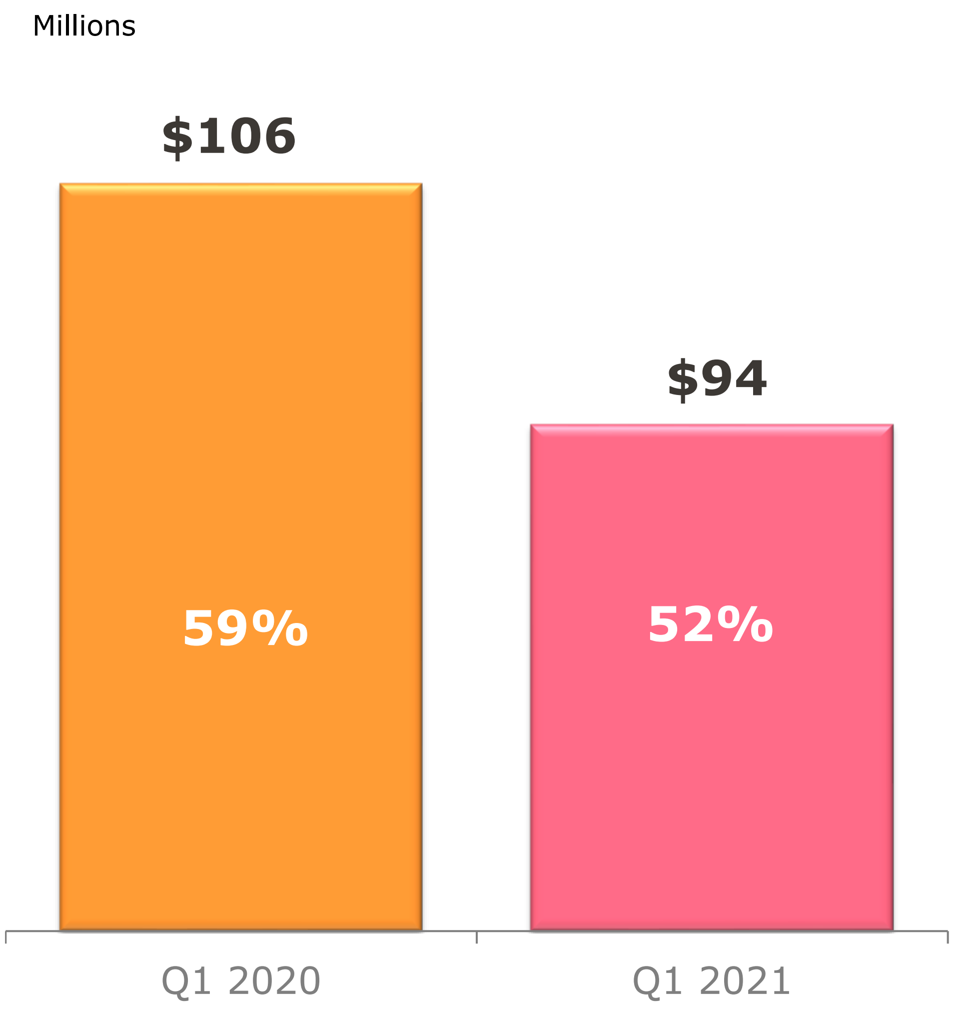
Pain Management Sales

Millions



FIRST QUARTER PERFORMANCE

Adjusted Gross Profit and Margin

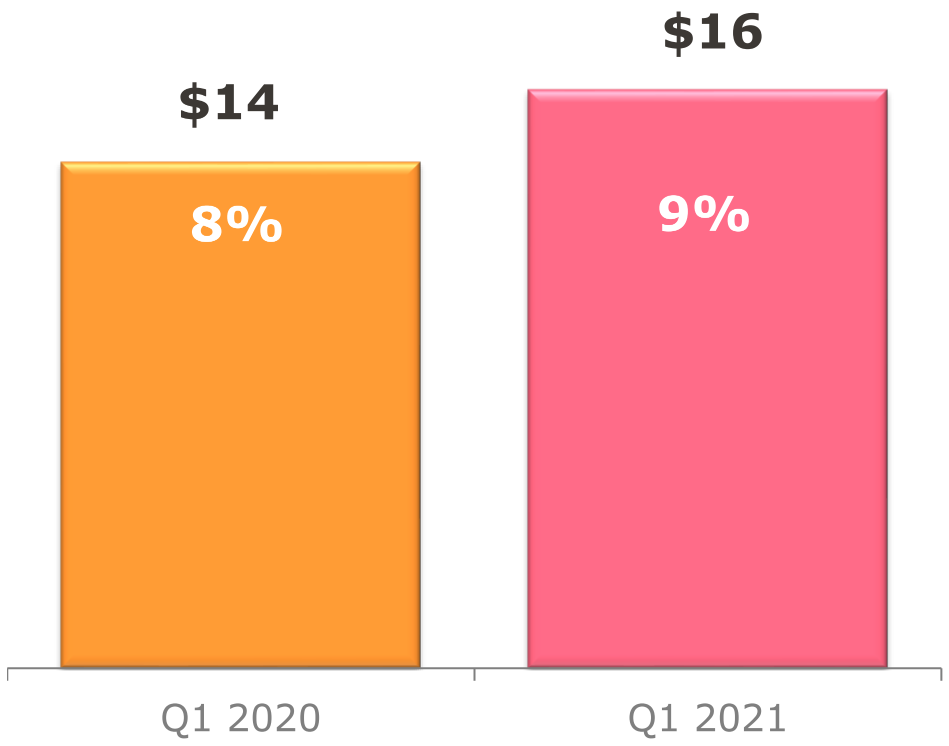


- Adjusted gross margin decrease due to:
  - Expected manufacturing variances
  - Unfavorable product mix
  - Higher transportation costs to bring NeoMed products from China to US to meet customer demand (continues into Q2)
  - Higher than normal price declines from timing of discounts and allowances paid to customers
- Adjusted gross margins expected to range between 2019 and 2020 levels
- Meaningful improvement expected to occur in second half of year

FIRST QUARTER PERFORMANCE

Adjusted Operating Profit and Margin

Millions

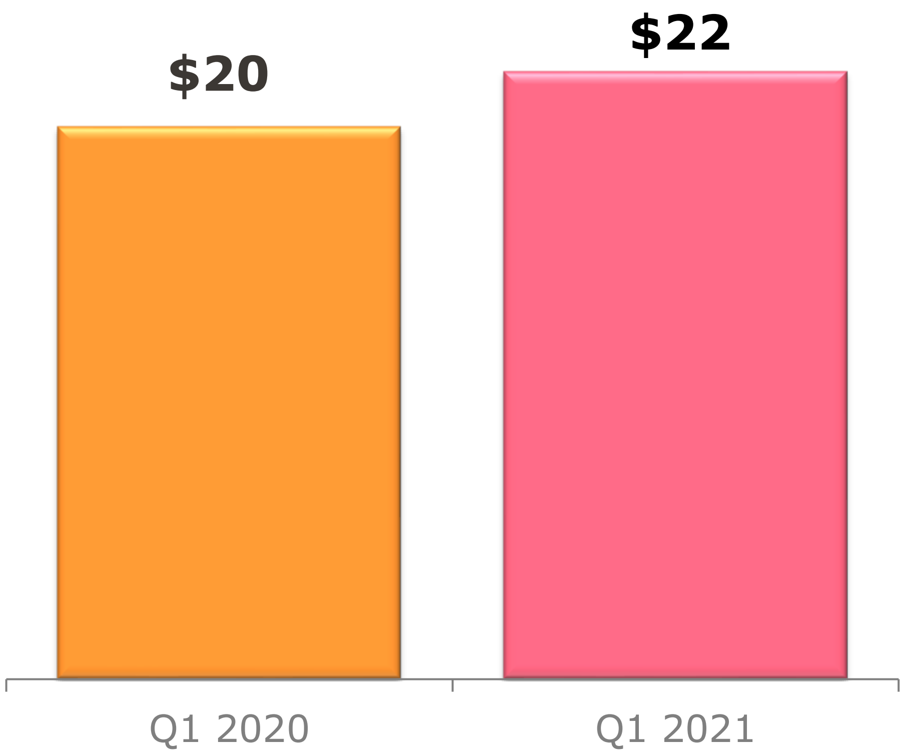


- Performance primarily driven by adjusted operating expense reductions
- Partially offset by lower adjusted gross margin

FIRST QUARTER PERFORMANCE

Earned $0.23 of Adjusted Diluted EPS

Adjusted EBITDA
Millions



Adjusted Net Income
Millions

BALANCE SHEET AND CASH FLOW

- Maintaining a healthy balance sheet and generating meaningful cash flow remains key go-forward priority
- Ended quarter with $100 million of cash on hand
- $175 million debt outstanding on revolving credit facility
  - $5 million improvement versus year-end
- Free cash flow represented outflow of $9 million
  - Timing of employee short-term incentives and severance related to restructuring announced last quarter
- Taking into consideration our preliminary settlement with the DOJ, we are confident in generating approximately $80 million of free cash flow

2021 OUTLOOK

- Some unpredictability of the Coronavirus remains
- Return of elective procedures and success of vaccine rollout enables us to provide full year 2021 outlook
- Expect net sales to increase 2% to 4% on a constant currency basis versus prior year
  - Includes 50 bps impact from exiting non-strategic international Chronic Care business
  - Quarter over quarter sales will be more variable than usual given COVID impact on prior year sales
- Expect to earn $1.10 to $1.25 adjusted diluted EPS
  - Higher earnings in second half of year due to higher sales, gross margin expansion and controlled operating expenses

AVANOS: STRONG START TO THE YEAR

- Meaningful progress towards value creation goals
- Confident in ability to execute strategy
- Deliver significant free cash flow
- Deploy capital in disciplined manner

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 March 31,			
	2021		2020	
As reported	**$**	**91.3**	$	102.1
COVID-19 related expenses		**-**		0.4
2020 Restructuring charges		**0.2**		-
Post divestiture restructuring charges		**0.9**		0.5
Post divestiture transition charges		**0.1**		0.8
Acquisition and integration-related charges		**-**		0.1
Intangibles amortization		**1.6**		1.7
As adjusted non-GAAP	**$**	**94.1**	$	105.6
Gross profit margin, as reported		**50.5 %**		56.6 %
Gross profit margin, as adjusted		**52.1 %**		58.5 %

	Operating Profit			
	Three Months Ended March 31,			
	2021		2020	
As reported	**$**	**(12.4)**	$	0.6
COVID-19 related expenses		**-**		0.5
2020 Restructuring charges		**0.2**		-
Post divestiture restructuring charges		**0.9**		0.5
Post divestiture transition charges		**-**		4.0
Acquisition and integration-related charges		**0.4**		1.8
EU MDR Compliance		**0.2**		-
Litigation and legal		**22.5**		2.2
Intangibles amortization		**4.2**		4.8
As adjusted non-GAAP	**$**	**16.0**	$	14.4

NON-GAAP RECONCILIATIONS

In millions

	Income (Loss) Before Taxes	
	Three Months Ended March 31,	
	2021	2020
As reported	**$ (13.2)**	$ (3.0)
COVID-19 related expenses	**-**	0.5
2020 Restucturing charges	**0.2**	-
Post divestiture restructuring charges	**0.9**	0.5
Post divestiture transition charges	**-**	4.0
Acquisition and integration-related charges	**0.4**	1.8
EU MDR Compliance	**0.2**	-
Litigation and legal	**22.5**	2.2
Intangibles amortization	**4.2**	4.8
As adjusted non-GAAP	**$ 15.2**	$ 10.8

	Tax (Provision)/Benefit	
	Three Months Ended March 31,	
	2021	2020
As reported	**$ 5.6**	$ 6.7
Tax effects of adjusting items	**(9.9)**	(3.6)
Effects of the CARES Act and other	**0.2**	(6.0)
As adjusted non-GAAP	**$ (4.1)**	$ (2.9)
Effective tax rate, as reported	**42.4 %**	223.3 %
Effective tax rate, as adjusted	**27.0 %**	26.9 %

NON-GAAP RECONCILIATIONS
In millions, except per share amounts

	Net (Loss) Income	
	Three Months Ended March 31,	
	2021	**2020**
As reported	**$ (7.6)**	$ 3.7
COVID-19 related expenses	**-**	0.5
2020 Restructuring charges	**0.2**	-
Post divestiture restructuring charges	**0.9**	0.5
Post divestiture transition charges	**-**	4.0
Acquisition and integration-related charges	**0.4**	1.8
EU MDR Compliance	**0.2**	-
Litigation and legal	**22.5**	2.2
Intangibles amortization	**4.2**	4.8
Tax effects of adjusting items	**(9.9)**	(3.6)
Tax effects of the CARES Act and other	**0.2**	(6.0)
As adjusted, non-GAAP	**$ 11.1**	$ 7.9
Diluted EPS, as reported	**$ (0.16)**	$ 0.08
Diluted EPS, as adjusted	**$ 0.23**	$ 0.16

NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	EBITDA			
	Three Months Ended March 31,			
	2021		2020	
EBITDA, as reported	**$**	**(2.7)**	$	11.2
COVID-19 related expenses		**-**		0.5
2020 Restructuring charges		**0.2**		-
Post divestiture restructuring charges		**0.9**		0.5
Post divestiture transition charges		**-**		4.0
Acquisition and integration-related charges		**0.4**		1.8
EU MDR Compliance		**0.2**		-
Litigation and legal		**22.5**		2.2
Adjusted EBITDA	**$**	**21.5**	$	20.2

	Free Cash Flow			
	Three Months Ended March 31,			
	2021		2020	
Cash used in operating activities	**$**	**(3.3)**	$	(5.8)
Capital expenditures		**(5.7)**		(5.2)
Free Cash Flow	**$**	**(9.0)**	$	(11.0)

NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	2021 Outlook				
	Estimated Range				
Diluted earnings per share (GAAP)	$	0.02	to	$	0.31
Intangibles amortization		0.26	to		0.26
Restructuring initiatives		0.20	to		0.16
Litgation and legal		0.52	to		0.46
Other		0.10	to		0.06
Adjusted diluted earnings per share (non-GAAP)	$	1.10	to	$	1.25

AVANOS