

ΔVΔNOS

**SECOND
QUARTER 2022
EARNINGS
CALL**

AUGUST 9TH, 2022

AGENDA AND SPEAKERS



Joe Woody
Chief Executive Officer

Update on Business
Progress Against 2022 Priorities



Michael Greiner
*Senior Vice President and
Chief Financial Officer*

Review Second Quarter Results
Discuss 2022 Planning and Guidance

Q&A

OVERVIEW

FORWARD-LOOKING INFORMATION

Certain matters in this presentation and conference call, including expectations and planning assumptions, including any comments about our expected 2022 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).

REFLECTION ON PERFORMANCE

- Operational and commercial execution against a range of challenging macro-economic dynamics
- Remain focused on getting patients back to the things that matter as we meet needs of customers
- Continue to experience consistent demand throughout our product portfolio
- Updating our FY guidance



SECOND QUARTER PERFORMANCE

- Net Sales increased 9% to \$203 million (including OrthogenRx sales)
- Earned \$0.41 of adjusted diluted EPS
- Generated \$23 million of free cash flow
- Excluding currency, Digestive Health and Interventional Pain grew mid-single digit while Respiratory Health and Acute Pain sales were below prior year
- OrthogenRx sales exceeded internal expectations

EXPANDING GROSS MARGIN

- Achieved 58.7% of adjusted gross margin for the quarter
- Adjusted gross margin improved 740 basis points compared to second quarter 2021 and 250 basis points compared to first quarter 2022
- Favorable product mix, cost savings and manufacturing efficiencies
- Raw material availability, inflation and transportation challenges remain
- Maintain our annual gross margin expectation between 55% and 57%

OPERATING EXPENSE PROFILE

- Increased investment across our SG&A profile in the first half of the year to support range of growth initiatives
- Our second quarter SG&A as a percentage of revenue improved 240 basis points versus our first quarter 2022
- Commitment remains to deliver SG&A as percent of revenue less than 40% on annualized go-forward basis

CHRONIC CARE GROWTH DRIVEN BY DIGESTIVE HEALTH

- Positive trend in Digestive Health continues
- Maintained double-digit growth in NeoMed
- Soft performance in Respiratory Health primarily related to inventory reductions at our distributors. Anticipate growth to revert to historical rates in Q3 and beyond

DEMAND FOR OUR PAIN PRODUCTS



- As expected previously, limited Q2 growth for our Pain portfolio
- Strong demand for capital units in Interventional Pain
- Supply challenges in Acute Pain partially mitigated by ambIT reusable pump
- Driving return to double-digit growth in the second half of 2022

FREE CASH FLOW GENERATION

- Ability to generate consistent and repeatable cash flow
- Continue to focus on improved operating results and disciplined working capital management
- Free cash flow generation of \$23 million in the second quarter 2022
- Anticipate generating approximately \$80 million in 2022

DEPLOYING CAPITAL TOWARDS M&A

- M&A pipeline remains healthy
- Most attractive opportunities leverage existing footprint, generate synergies, and enhance top-line growth profile
- Remain disciplined in identifying targets that meet strategic initiatives and exceed financial hurdles
- Ensure focus on strong return of capital

ΔVΔNOS: SOLID FIRST HALF

- Macro environment uncertainties remain
- Our 2022 priorities:
 - Deliver consistent organic growth
 - Execute on our OrthogenRx strategy
 - Improve gross margin profile
 - Generate free cash flow

Second Quarter 2022 Results

Michael Greiner
Senior Vice President and
Chief Financial Officer

MOST FIRST HALF OBJECTIVES ACHIEVED

- Gross margin improvement, Free Cash Flow generation, SG&A % realignment and OrthogenRx execution
- Continuing industry specific macro-economic pressures
- Update to our revenue and adjusted EPS guidance
 - Net Sales between \$815 and \$835 million
 - Adjusted EPS between \$1.45 and \$1.65

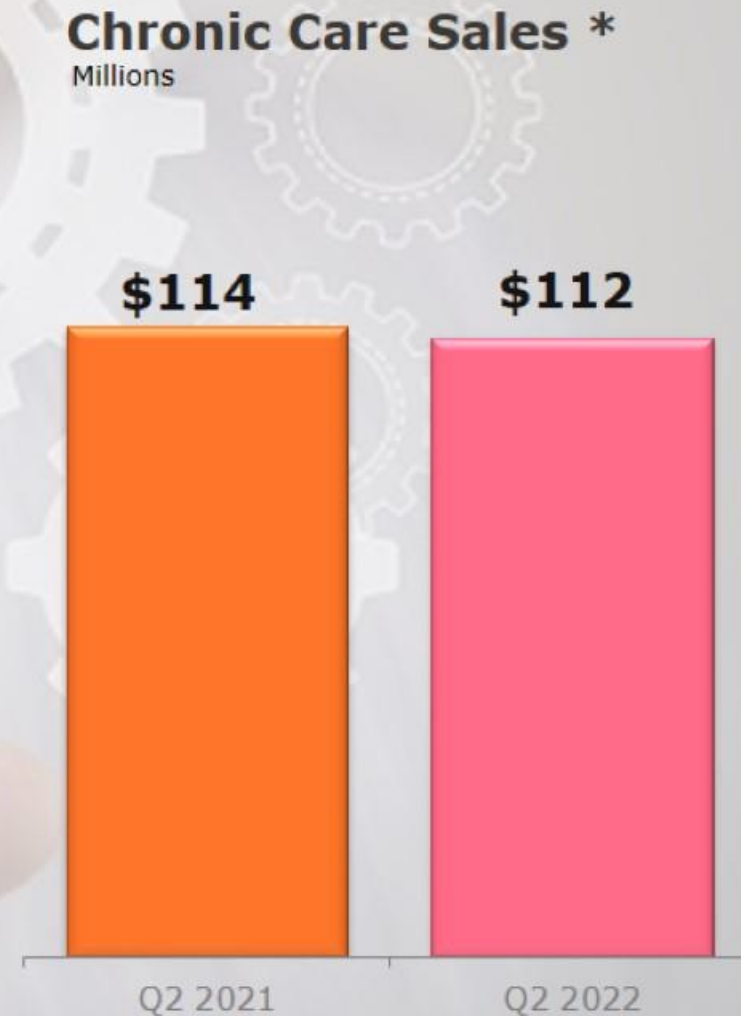
MAINTAINING FOCUS ON EXECUTION

- Total sales of \$203 million increased 9% versus prior year
 - 10% increase in volume
 - 1% favorable impact from price
 - 2% unfavorable impact from currency
- Adjusted EPS of \$0.41

CHRONIC CARE SECOND QUARTER SALES

Consolidated net sales totaled \$203 million

- Chronic Care sales, excluding Maxter, unfavorable \$2 million to prior year at \$112 million
- Mid single-digit growth in Digestive Health
 - NeoMed grew 27% from continued conversion to ENFit
- Respiratory Health headwind from product supply challenges and distributors inventory reduction



PAIN MANAGEMENT SECOND QUARTER SALES

Consolidated net sales totaled \$203 million

- Pain Management sales, excluding OrthogenRx, unfavorable \$1 million to prior year at \$69 million
- Mid single-digit growth in Interventional Pain offset by decrease in Acute Pain, as indicated during our last Earnings Call
- Positive contribution from OrthogenRx

Pain Management Sales *

Millions

\$70

\$69

Q2 2021

Q2 2022

SECOND QUARTER PERFORMANCE

Gross margin and Operating margin improvement

Adjusted Gross Profit and Margin

Millions

\$119

\$96

51%

59%

Q2 2021

Q2 2022

Adjusted Operating Profit and Margin

Millions

\$28

\$15

8%

14%

Q2 2021

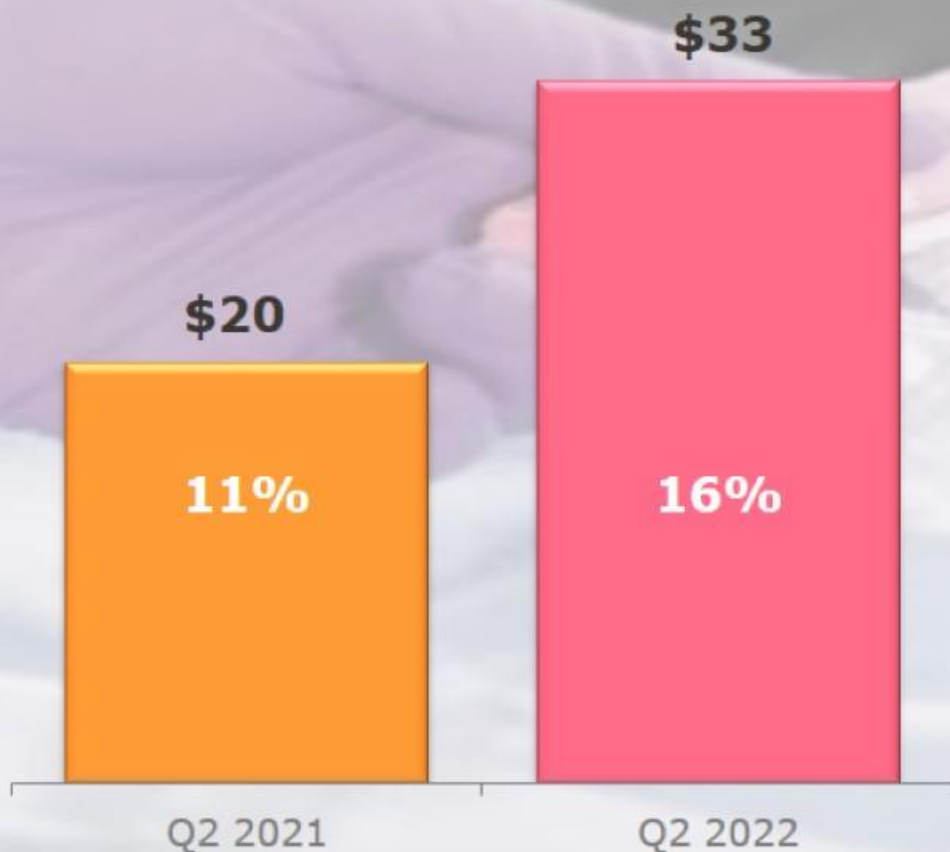
Q2 2022

SECOND QUARTER PERFORMANCE

Earned \$0.41 of Adjusted Diluted EPS

Adjusted EBITDA

Millions



Adjusted Net Income

Millions



BALANCE SHEET AND CASH FLOW

- Maintaining healthy balance sheet and generating meaningful cash flow remain key go-forward priorities
- Currently with \$100 million of cash on hand
- \$255 million of debt outstanding
- Free cash flow was \$23 million
- Internal and external capital allocation goals remain on track

2022 OUTLOOK

- Current external guidance
 - Total sales between \$815 million and \$835 million
 - Adjusted gross margin of 55% to 57%
 - Continued SG&A spend control, below 40% of sales for the year
 - Free cash flow approximately \$80 million
 - Expect to earn \$1.45 to \$1.65 adjusted diluted EPS
- Higher earnings in second half of year due to higher sales and operating expense leverage
- Product supply challenges, global environment uncertainties and inflation remain

ΔVΔNOS: STRONG START TO THE YEAR

- Meaningful progress towards value creation goals
- Confident in ability to execute strategy
- Taking appropriate steps to drive gross and operating margin improvement and deliver significant free cash flow



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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
As reported	\$ 114.9	\$ 85.7	\$ 222.1	\$ 177.0
2020 Restructuring charges	—	2.8	—	3.0
Post divestiture restructuring charges	—	1.7	—	2.6
Post divestiture transition charges	—	3.7	—	3.8
Acquisition and integration-related charges	0.7	—	1.4	—
Intangibles amortization	3.5	1.7	6.6	3.3
As adjusted, non-GAAP	\$ 119.1	\$ 95.6	\$ 230.1	\$ 189.7
Gross profit margin, as reported	56.6 %	46.0 %	55.5 %	48.2 %
Gross profit margin, as adjusted	58.7 %	51.3 %	57.5 %	51.7 %

	Operating (Loss) Profit			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
As reported	\$ 19.0	\$ (7.3)	\$ 28.2	\$ (19.7)
COVID-19 related expenses	—	0.2	—	0.2
2020 Restructuring charges	—	8.5	—	8.7
Post divestiture restructuring charges	—	1.7	—	2.6
Post divestiture transition charges	—	3.6	—	3.6
Acquisition and integration-related charges	1.0	0.2	2.8	0.6
EU MDR Compliance	1.7	1.0	3.2	1.2
Litigation and legal	—	2.7	—	25.2
Intangibles amortization	6.2	4.1	11.9	8.3
As adjusted, non-GAAP	\$ 27.9	\$ 14.7	\$ 46.1	\$ 30.7

NON-GAAP RECONCILIATIONS

In millions

	Income Before Taxes			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
As reported	\$ 16.5	\$ (8.2)	\$ 24.4	\$ (21.4)
COVID-19 related expenses	—	0.2	—	0.2
2020 Restructuring charges	—	8.5	—	8.7
Post divestiture restructuring charges	—	1.7	—	2.6
Post divestiture transition charges	—	3.6	—	3.6
Acquisition and integration-related charges	1.0	0.2	2.8	0.6
EU MDR Compliance	1.7	1.0	3.2	1.2
Litigation and legal	—	2.7	—	25.2
Intangibles amortization	6.2	4.1	11.9	8.3
Loss on extinguishment of debt	1.1	—	1.1	—
As adjusted, non-GAAP	\$ 26.5	\$ 13.8	\$ 43.4	\$ 29.0

	Tax Provision			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
As reported	\$ (5.1)	\$ 46.1	\$ (7.2)	\$ 51.7
Tax effects of adjusting items	(2.0)	(47.1)	(4.5)	(57.0)
Effects of the CARES Act and other	—	(2.7)	—	(2.5)
As adjusted non-GAAP	\$ (7.1)	\$ (3.7)	\$ (11.7)	\$ (7.8)
Effective tax rate, as reported	30.9 %	562.2 %	29.5 %	241.6 %
Effective tax rate, as adjusted	26.8 %	26.8 %	27.0 %	26.9 %

NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	Net (Loss) Income			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
As reported	\$ 11.4	\$ 37.9	\$ 17.2	\$ 30.3
COVID-19 related expenses	—	0.2	—	0.2
2020 Restructuring charges	—	8.5	—	8.7
Post divestiture restructuring charges	—	1.7	—	2.6
Post divestiture transition charges	—	3.6	—	3.6
Acquisition and integration-related charges	1.0	0.2	2.8	0.6
EU MDR Compliance	1.7	1.0	3.2	1.2
Litigation and legal	—	2.7	—	25.2
Intangibles amortization	6.2	4.1	11.9	8.3
Loss on extinguishment of debt	1.1	—	1.1	—
Tax effects of adjusting items	(2.0)	(47.1)	(4.5)	(57.0)
Tax effects of the CARES Act and other	—	(2.7)	—	(2.5)
As adjusted, non-GAAP	\$ 19.4	\$ 10.1	\$ 31.7	\$ 21.2
Diluted EPS, as reported	\$ 0.24	\$ 0.78	\$ 0.36	\$ 0.62
Diluted EPS, as adjusted	\$ 0.41	\$ 0.21	\$ 0.66	\$ 0.44

NON-GAAP RECONCILIATIONS

In millions

	EBITDA			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
EBITDA, as reported	\$ 30.6	\$ 2.2	\$ 50.9	\$ (0.5)
COVID-19 related expenses	—	0.2	—	0.2
2020 Restructuring charges	—	8.5	—	8.7
Post divestiture restructuring charges	—	1.7	—	2.6
Post divestiture transition charges	—	3.6	—	3.6
Acquisition and integration-related charges	1.0	0.2	2.8	0.6
EU MDR Compliance	1.7	1.0	3.2	1.2
Litigation and legal	—	2.7	—	25.2
Adjusted EBITDA	\$ 33.3	\$ 20.1	\$ 56.9	\$ 41.6

	Free Cash Flow			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cash provided by (used in) operating activities	\$ 27.0	\$ 15.3	\$ 28.8	\$ 12.0
Capital expenditures	(4.1)	(5.8)	(9.1)	(11.5)
Free Cash Flow	\$ 22.9	\$ 9.5	\$ 19.7	\$ 0.5

NON-GAAP RECONCILIATIONS

In millions, except per share amounts

	2022 Outlook	
	Estimated Range	
Diluted earnings per share (GAAP)	\$	0.95 to \$ 1.25
Intangibles amortization		0.25 to 0.25
Other		0.25 to 0.15
Adjusted diluted earnings per share (non-GAAP)	\$	1.45 to \$ 1.65