AVANOS

FINANCIAL OUTLOOK

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OVERVIEW

FORWARD-LOOKING INFORMATION

Certain matters in this presentation, including our financial outlook, expectations and planning assumptions, and any estimates, projections, and statements relating to our business plans, objectives, or the acquisition of CoolSystems 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 currency exchange risks, cost savings and reductions, raw material, energy, and other input costs, competition, market demand, economic condition, S&IP separation execution 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 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 posted on our website (www.halyardhealth.com/investors).

MOMENTUM FOR PROFITABLE GROWTH

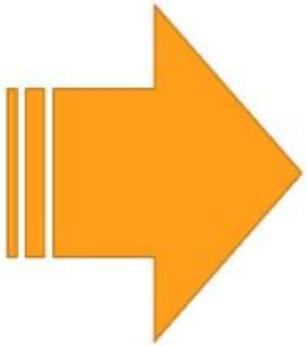
2016–2017 SHAREHOLDER VALUE CREATION

10%
Medical Devices net sales CAGR

420 bps
Medical Devices operating margin accretion

+$260 million
Free cash flow generation

21%
R&D expense CAGR for Medical Devices



80%
Total Shareholder Return[1]

Note:
1. Shareholder return 12/31/15 through 6/15/18

MULTIPLE LEVERS TO DRIVE SUSTAINABLE SALES AND EARNINGS GROWTH

Top-line Growth	Gross Margin Expansion	Operating Leverage	Balance Sheet Efficiency
↑ Underpenetrated pain categories	↑ Product mix	↑ Right-sized and scalable corporate and IT infrastructure	↑ Working capital efficiency
↑ Strong Chronic Care market positions	↑ Supply chain optimization	↑ Sales force effectiveness	↑ Strong cash generation
↑ Focused international growth	↑ "Continuous improvement" culture	↑ Cost take-out	↑ Cap Ex: 2-3% sales
↑ Improved commercial execution		↑ Global business services	↑ Modest leverage
↑ Increasing sales from breakthrough innovation		↑ Zero-based budgeting	↑ $750 million of acquisition capacity
↑ Limited pricing pressure		↓ Commercial & clinical investment	↑ Continued progress on tax efficient operations
		↓ R&D investment	

TRANSFORMATION TO A RIGHT-SIZED, GROWING AND SCALABLE BUSINESS

	Halyard Pre-Divestiture	Avanos Today	Exiting 2021
Organic Top-line Growth:	Flat	Mid-single digit	High single digit
Gross Margin:	Mid-30s	Low-60s	Mid-60s
R&D[1]:	2% - 3%	<6%	6% - 7%
SG&A[1] (ex. R&D):	Low 20s	Low 40s	Mid-30s
Operating Margin Growth:	Flat	Rebased	Growing
EBITDA Margin:	Mid-teens	Mid-teens	Mid-20s

Note:
1. As % of sales

CAPITAL ALLOCATION PRIORITIES

1

Business Investment

Investment to support sustainable and accelerating organic growth

2

Continuous Improvement

Sustainably improve productivity and profitability

3

M&A

Robust pipeline of strategic acquisitions and partnerships to enhance shareholder returns

DISCPLINED APPROACH TO INVESTMENT

Strategic Criteria

- ✓ New & adjacent markets that expand call points, channel access, technologies or therapies
- ✓ Potential for future growth & scale
- ✓ Cash synergies
- ✓ Range of target sizes

Financial Criteria

- ✓ Top-line growth & gross margins at or above current business
- ✓ Risk-adjusted returns above cost of capital
- ✓ Earnings accretive by year 2
- ✓ ROIC accretive by year 4

Diligent assessment of investment opportunities to maximize shareholder return

COST TRANSFORMATION

Drive $30 - $40 million of savings from 2019 – 2021 and continued savings beyond

ORGANIZATION

- Right-size organization
- Reduce spans and layers
- Align with agile growth model
- Leverage scale

INFORMATION TECHNOLOGY

- New ERP system
- Cuts IT costs in half
- Phased implementation in 2019

OPERATIONS

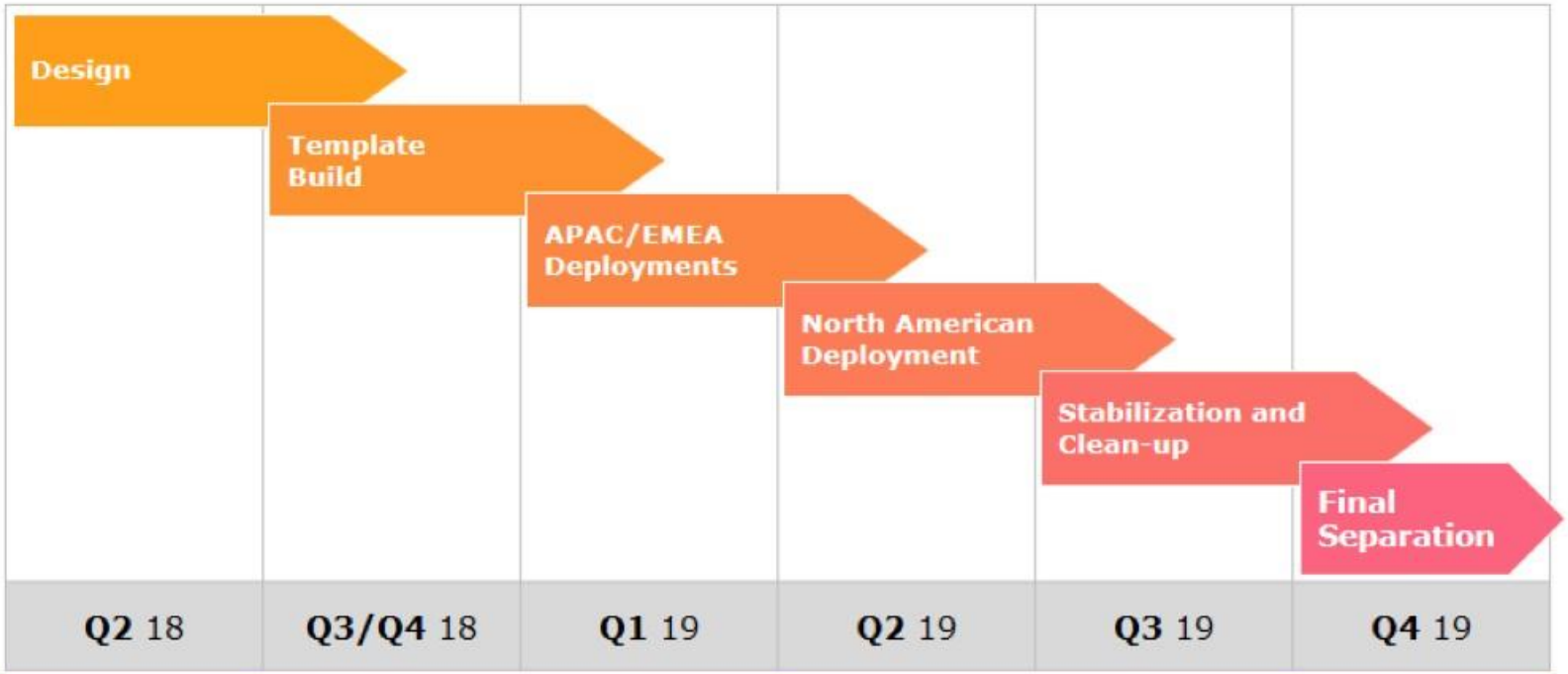
- Optimize distribution network and supply chain
- Procurement savings

CONTINUOUS IMPROVEMENT

- Lean manufacturing
- Zero-based budgeting
- "Continuous improvement" culture

	2019	2020	2021	Total
Annual Savings	$7 – $10	$14 to $18	$9 – $12	$30 - $40

IT TRANSFORMATION UPDATE



Cash Investment	
Capital	$35 - $40 million
Expense	$5 - $10 million
Total Outlay	$40 - $50 million

Benefits

- Overall IT costs halved
- Improved global information to drive decisions
- Legacy system sold to OMI
- Faster M&A integration
- Phased implementation to reduce risk

Savings

- **$15 - $19** million of direct IT and indirect headcount savings
- **$13 - $17** million of IT costs previously eliminated with divestiture

REAFFIRMING 2018 GUIDANCE AND PLANNING ASSUMPTIONS

- Adjusted diluted earnings per share from continuing and discontinued operations of $1.65 to $1.85
- Medical Device sales growth of 4 to 6 percent, on a constant currency basis
- Foreign currency translation impact to be even compared to prior year
- Adjusted effective tax rate between 25 and 27 percent
- Net dis-synergies from the S&IP divestiture expected to range between $15 to $20 million

POSITIONED TO ACCELERATE GROWTH AND INNOVATION

Delivering top-quartile shareholder value

THANK YOU